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The organization of a settled form of government in China proceeds slowly, but it proceeds, and there is a decided change for the better in the conditions which a month ago were described as "chaotic." Every demand made by the revolutionaries has been accepted by the Imperial Clan, including apparently the supreme act of vacating the throne. This final step is to be made easier by the concession of annual pensions amounting to 3,000,000 taels for the support of the imperial family and princess, and by an agreement that the transfer of power shall be effected with as little loss of dignity to the throne as possible. Just what is to be the character of the national assembly, whose task it is to formulate the future plan of government for China, does not yet appear. The Assembly at Nanking is only in a very narrow sense representative, but its authority seems to be generally recognized, and the transition between the provisional government and a permanent form of administration may be more easily effected than most foreign observers seem to believe. In an article elsewhere reproduced Mr. Gundry lays some stress on the difficulty of incorporating Mongolia and Tibet in a Republican Federation of China. "What inheritance have Urga and Lhassa in Sun Yat-sen? * * * Is it likely that a Mongolia, which has cast off the nominal protection of China, will escape the nearer and more powerful influence of Russia?" The same skepticism appears in a letter written by one of the most learned scholars in China, who has taken a leading part in the introduction of Western education into the empire, which was sent by Dr. Morrison to the London *Times*. He, too, asks what must become of Mongolia, Tsungaria, etc.? Will they join the pure Chinese to form a vast and unwieldly republic? Or will they declare their own independence? Both are not likely—not the former, because there is the racial antagonism again, and the total difference of sentiments, customs, laws and religion; not the latter, because of the insufficiency of their political strength. Hence these vast tracts of land with their people must go to some power which is near at hand." Meanwhile the treaty powers give no sign, and there has been furnished at least no apparent ground of complaint that China is not being left to work out her salvation in her own way.

A Good beginning has been made in New York in the work of making effective the appeal of the Red Cross organization for the relief of the famine sufferers in China. Supplementing the request made for subscriptions by the President of the United States, as the titular

head of the Red Cross Society, a China Famine Relief Committee has been appointed to make a more direct canvass for funds adequate for the emergency. The treasurer is Mr. Jacob Schiff, 1 Madison Avenue, and Bishop Greer is the chairman. The urgency of the need of the famine-stricken millions is only too apparent and pressing, and the case is emphatically one in regard to which it is true that "he gives twice who gives quickly."

A YEAR ago, the general attitude toward our Far Eastern trade was one of discouragement, and a man so well informed as Mr. Frederick McCormick found in the decline of our exports to China evidence of "American Defeat in the Pacific." The actual total of the exports of 1910 to the Chinese Empire, including the leased territory, was $16,710,289, and including Hongkong, $22,557,183. For 1911, the figures are $24,127,673 and $33,900,403, respectively. It is true that compared with the figures of 1905 these totals are still disappointing, but as we have previously had occasion to point out, the year of our maximum export included $33,500,000 worth of cotton piece goods, the larger part of which did not enter into consumption for some years later. Last year, as will be perceived from our detailed tables, the exports of cotton cloths reached a total of $7,567,334, against $4,151,340 in 1910. In the exports of mineral oil to China there was an increase of $1,300,000, and to Hongkong of $800,000. The entire export of wheat flour, that is, including Hongkong, advanced from $2,870,000 in 1910 to $7,410,000 in 1911. The value of the imports from China and Hongkong slightly exceeds that of the exports, being $35,332,419.

OUR exports to Japan show a very considerable increase, being $44,103,802, against $26,568,754 in the calendar year 1910. The imports from Japan were $78,022,980, against $73,766,202 in the preceding year. As will be perceived from the detailed tables, the value of our import of silk from Japan last year was $45,799,609, and of tea $9,781,008, so that these two items account for fully 70 per cent. of all our Japanese imports. The increase from 66,000,000 to $101,000,000 in the total of American exports to Asia is almost wholly accounted for by the gains above noted, the only other important addition being an advance of $4,400,000 in the value of our exports to British India, against a gain in the value of our imports from that part of the world of $9,300,000. As a matter of comparison, it may be noted that the exports from the United States to Asia were only $20,000,000 short of the value of its exports to South America, and that while in the latter case the gain over 1910 was $21,000,000, in the former it was $35,000,000.

IN the yearly review number of *The Cablenews* of Manila, Mr. Harold M. Pitt says that the Philippine Islands have become self-supporting; "industry is vigorous and growing, and the people, in a comparatively large measure, are prosperous and progressing steadily toward an advanced social and economic state." This much has been accomplished during the period of civil rule under the direction of the Government of the United States, and according to Mr. Pitt existing conditions give augury of a splendid future for the islands and unqualified success for those who may cast their fortunes there. But after all due credit has been given to our people for their treatment of the Philippines, marking as it does a radical departure from the policy commonly pursued by a strong and virile race in dealing with a practically helpless people, Mr. Pitt still holds that our Government has much to answer for. For example, there is what he calls the serious blunder committed alike by the Government and people of the United States in ignoring the possibilities latent in the vast resources of the Archipelago; "in failing to grasp the opportunities that lie in the development of these resources and in the promotion of industry; by remaining blind to the practical value of the islands as a source of supply for the more than six hundred million dollars worth of tropical and sub-tropical products that the United States is obliged to purchase each year from foreign countries that do not give us more than half that amount of trade in return."

THERE can be no question that the United States profits from the accelerated industrial movement in the Philippine Islands quite as much as the islands themselves. The figures cited in Mr. Pitt's article cover only nine months of the calendar year. With the returns just at hand, it is possible to make a more accurate comparison with the two years preceding. From these it appears that our exports to the Philippine Islands in 1909 were valued at $13,791,595; in 1910 at $19,941,539, and in 1911 at $20,928,753. The imports have come very close to balancing these figures in each of the last three years. There is obviously room for more energetic exploitation of the possibilities of the Philippines and a more careful cultivation of their commercial resources, however, reassuring the progress of the immediate past may have been.

ON the broad question of Philippine possibilities, the Governor-General, Mr. W. Cameron Forbes, contributes a highly enthusiastic article to *The Cablenews*. He says among other things that the islands with their eight million of people have a world of potential laborers, with a soil of almost unlimited wealth, abundant harbors, waters teeming with riches, only to be reached out for and taken; forests of almost inestimable value, and great mineral resources wholly untouched, while they are importing from abroad things which they need and can make, and doing so merely because they have not the machinery and organization necessary to make them. Governor Forbes insists that the Malay will work and work hard and well, the prevalent impression to the contrary notwithstanding. He points out that the emigration of Filipinos to Hawaii has demonstrated that in a fair field with no favor, under the same conditions and equal circumstances, the Filipino works as well as the Japanese or Korean. Mr. Forbes sees a great future of the Archipelago in the culture of silk and rubber, and in the production of coal. Including the sugar, tobacco, hemp and coffee, whose production might be so extensively enhanced, he holds that the Philippine Islands could do a trade twenty times greater than they do now without exhausting the possibilities of their potential labor and uncultivated acres.

Exports of Domestic Cotton Cloths, Mineral Oils, and Wheat Flour from the United States to China and Hongkong, during the eleven months, ending Dec. 31, 1910 and 1911.

EXPORTS TO CHINA.

Months.	Cotton Cloths. Yards.		Mineral Oils (Illuminating). Gallons.		Wheat Flour. Barrels.	
1910.						
January	.....	$.....	3,311,000	$268,540	1,393	$5,895
February	17,271	3,568	3,166,810	258,115	500	2,250
March	64,939	3,983	6,279,100	477,295	19	103
April	3,334,800	209,841	3,106,000	230,143	611	2,936
May	21,601,907	1,342,041	9,646,950	574,867	250	1,000
June	10,515,200	662,990	10,845,070	655,309	263	1,163
July	10,897,533	727,329	5,392,690	323,424	638	2,576
August	9,582,788	563,587	14,052,380	888,045	2,643	11,823
September	4,226,655	263,334	7,130,000	314,745	1,333	5,144
October	951,800	56,682	8,044,160	493,021	452	1,894
November	1,018,400	90,740	5,048,550	298,529	3,691	14,533
December	3,294,806	227,245	7,996,752	583,235	5,308	20,650
Total	65,506,099	$4,151,340	84,019,462	$5,365,268	17,101	$69,967
1911.						
January	5,667,644	$390,359	3,915,380	$180,847	58,188	$210,766
February	3,854,800	222,309	4,423,824	210,643	124,428	456,053
March	7,857,697	486,439	13,340,540	797,484	34,372	131,015
April	4,443,697	286,346	13,889,920	872,772	49,158	185,742
May	12,837,965	860,882	13,275,702	902,967	11,880	46,483
June	14,000,083	960,016	10,657,551	778,634	645	2,579
July	11,063,600	788,798	15,882,570	1,148,524	1,631	6,490
August	8,680,440	625,749	7,827,602	537,398	21,926	79,752
September	7,671,189	581,168	7,857,040	572,253	61,783	237,040
October	6,901,562	484,934	5,660,580	406,178	55,750	216,175
November	12,544,616	877,394	.....	.....	67,470	266,515
December	12,534,270	844,814	4,040,070	282,039	55,850	217,338
Total	110,163,246	$7,567,334	100,770,779	$6,689,739	543,083	$2,055,948

EXPORTS TO HONGKONG.

1910						
January	16,595	$2,543	1,589,140	$195,711	108,727	$432,622
February	24,447	3,356	.....	.....	20,800	89,650
March	13,437	1,842	.....	.....	34,285	146,546
April	14,297	1,442	2,133,172	83,368	12,277	50,915
May	24,427	4,165	1,170,000	91,115	11,304	45,395
June	66,974	4,322	.....	.....	15,676	64,737
July	51,982	8,126	1,757	189	58,169	242,814
August	19,350	2,558	1,748,039	130,973	54,231	217,046
September	6,550	707	.....	.....	20,289	84,794
October	18,047	4,639	.....	.....	92,673	371,287
November	5,391	819	1,585,000	114,460	61,840	236,943
December	18,821	2,616	191,230	13,099	203,005	798,776
Total	280,318	$37,135	8,418,338	$558,024	693,276	$2,801,775
1911						
January	42,917	$7,104	1,742,440	$142,425	108,727	$452,872
February	32,540	2,563	1,714,910	124,331	117,230	453,343
March	29,750	2,033	617,856	60,649	62,649	242,714
April	28,361	5,043	3,095,570	222,167	41,907	164,382
May	56,396	10,924	1,303,000	96,568	91,348	365,586
June	63,752	8,250	75,000	5,625	48,398	183,382
July	73,151	10,412	.....	.....	72,283	281,301
August	55,621	10,166	1,539,170	115,438	73,571	287,513
September	49,832	7,889	2,040,000	151,980	85,937	333,807
October	44,343	7,410	830,000	81,956	251,607	993,047
November	35,212	3,509	2,455,000	184,827	143,919	550,435
December	187,236	20,889	2,677,000	195,421	234,502	915,392
Total	719,111	$96,192	18,089,920	$1,381,594	1,371,141	$5,360,864

WASHINGTON, D. C., Jan. 31, 1912.

DEPARTMENT OF COMMERCE AND LABOR,
Bureau of Statistics.

Imports of Tea and Silk into the United States for the eleven months, ending November 30, 1909, 1910 and 1911.

TEA.	1909.		1910.		1911.	
Imported from	Pounds.	Dollars.	Pounds.	Dollars.	Pounds.	Dollars.
United Kingdom	12,294,028	2,786,932	10,493,706	2,701,180	12,980,607	3,470,771
Canada	4,319,543	976,315	2,661,195	632,512	2,856,929	747,135
Chinese Empire	33,833,377	3,635,501	24,394,663	2,890,495	17,993,553	2,121,960
East Indies	8,879,983	1,367,434	9,403,857	1,536,676	11,946,000	2,005,702
Japan	44,072,162	7,595,564	50,124,382	8,670,682	57,284,989	9,781,008
Other countries	1,085,457	191,286	1,031,136	199,941	1,103,576	190,595
Total	104,484,550	16,553,032	98,108,939	16,631,486	104,165,654	18,317,171
SILK.						
RAW, OR AS REELED FROM THE COCOON. Imported from	Pounds.	Dollars.	Pounds.	Dollars.	Pounds.	Dollars.
France	761,564	2,237,970	350,098	1,081,020	110,035	729,626
Italy	4,595,232	17,837,048	2,936,890	10,974,475	1,993,163	7,504,580
Chinese Empire	4,490,836	11,041,578	4,750,591	11,613,009	4,935,959	12,056,949
Japan	12,211,360	42,305,934	13,311,051	43,744,447	13,637,481	45,799,609
Other countries	168,193	638,075	195,152	689,781	228,065	860,382
Waste.....lbs...free..	2,481,075	1,451,796	3,692,387	1,924,262	5,066,603	2,302,393
Total unmanufactured	24,708,260	75,512,401	25,256,169	70,026,994	25,971.306	69,304,548

AMERICAN ASSOCIATION OF CHINA.

From the Contemporary Review.

Shanghai, December 30.—The American Association of China has had a most prosperous year and is stronger than it has ever been, said President J. N. Jameson at the annual meeting held in the Chamber of Commerce rooms, yesterday afternoon.

He reported a substantial increase in membership and said it was not so much the numerical increase as the quality and high standing of the men who had joined the organization during the year, that gave cause for congratulation.

Treasurer R. C. Morton reported a record balance to the account of the association and he was re-elected to take charge of the finances with enthusiastic acclaim.

There was a large attendance and President Jameson inspired the assemblage with an encouraging outlook for Shanghai by reference to correspondence between Minister Calhoun and the State Department at Washington regarding the Whangpoo Conservancy scheme and by reading the letter of the Senior Consul General Siffert, to the Shanghai General Chamber of Commerce transmitting a telegram from Sir John Jordan to the effect that the treaty powers has assented to the Chamber of Commerce program for harbor improvements here.

Dr. J. B. Fearn read the Executive Committee's report, which included many subjects of interest. Among them were the proposed Harvard Medical School and Research Laboratories to be established here. He emphasized the urgent need of funds for the famine relief work and told of the part the American Red Cross Society was taking through its engineer, Mr. Jameson, in preparing the way for the reclamation of the vast area of land periodically subjected to inundation.

The new quarters now occupied by the American Consulate staff were referred to as an incentive to further advance and the report concluded with a summary of the present revolution in China from the time of the first convening of the National Assembly up to the present.

Mr. G. E. Tucker objected to any reference to the disturbed political situation appearing in the Committee's report, but nobody seconded his motion, so President Jameson said that it would stand and Dr. C. S. F. Lincoln seconded his motion that the report be accepted as it stood. This motion was carried.

EXECUTIVE COMMITTEE'S REPORT.

The report of the Executive Committee was a lengthy one, of which the following were the features of most interest:

Your Committee has the honor to present the following report covering the period dating from the last Annual Meeting held December 28th, 1910, to the present time. Following the report of previous years in the classification of subjects we have,—(1) Matters of Routine:—(2) Matters especially concerning American interests:—(3) Matters of general interest.

MATTERS OF ROUTINE.

Executive Committee.—With the exception of Mr. N. T. Saunders, who has recently left us on furlough, the Executive Committee has had its full membership in Shanghai during the entire year. Membership.—The net increase in membership during the year has been fourteen—resident ten and non-resident four. Again three of our number have been removed by death—Rev. George A. Stuart, M.D., Shanghai, Dr. Samuel L. Gracey, Consul

General at Foochow and Rev. D. L. Anderson, D.D., of Soochow. Each of these men had attained a high place in his chosen work in China, and stood for all that is highest and best in the life of true Americans.

Our membership now stands at:—

Honorary	3
Resident	115
Non-resident	66

CHINA EXTRADITION ACT.

The Journal of this Association appearing in August, 1911, contained an article on extradition to and from China, written by the District Attorney of the United States Court for China. The same was republished in the Journal of the American Asiatic Association at New York in the following November. China is without treaties of extradition, but the foreign Powers that have treaties of extra-territoriality with China have this jurisdiction as a basis for extraditing their own nationals as between China and their home jurisdictions, and it would appear practicable to extend the extradition treaties that now relate to the home and colonial jurisdictions so as to apply them also to the extra-territorial jurisdictions in China. An Act of Congress authorizing extradition between American jurisdition in China and American home and insular jurisdictions on a system like that established for rendition of fugitives from justice between states and territories of the United States is the main legislation required. The China extradition bill proposed in the last Congress by Mr. Edwin Denby of Michigan, but passed over in the pressure of legislation then more closely affecting conditions at home, will we trust and recommend, be again considered in the present Congress and enacted as law.

AMERICAN RED CROSS IN CHINA.

During the winter and spring of 1910 and 1911, the American Red Cross and the American Government sent much money and grain to China for the relief of the sufferers from floods and subsequent famine in the Northern portions of the province of Anhui and Kiangsu.

The relief was sent to the Central China Relief Committee and distributed by them. Appeals for famine relief in China, following floods, have been no novelty for many years past and these appeals have always been responded to by the American public and American Red Cross freely and liberally. As the duty of preventing disaster as far as possible is imposed by its charter upon the American Red Cross as well as the duty of mitigating the sufferings caused by disaster, it, realizing the constant recurrence of appalling famines in portions of China as the result of the ruin of crops by river overflows, decided last spring to offer to the Chinese Government, through the American State Department, the services of an expert engineer in river conservancy for the purpose of studying the conditions in these sections of the country and providing a report to the Chinese Government as to what might be accomplished in the way of controlling the overflow of the rivers the lowering of the flood level and the drainage of these sections of country, thus preventing to a great extent the recurrence of these disastrous floods.

OFFER PROMPTLY ACCEPTED.

The offer was promptly accepted by the Chinese Government, which provides all necessary assistance. At the same time the American Red Cross has decided upon this offer towards prevention, the relief committee in Shanghai conceived the same idea, according to a report from its Secretary, Dr. Ferguson, forwarded later to the Red Cross through the American Consul General. In a late report from the Rev. E. C. Lobenstine who had charge of the famine relief in north Anhui province, the principal area of distress, and who is now Secretary of the relief committee, the same suggestion was made.

Thus all who have had to do with the famine relief work were united upon the desirability of preventive measures. The Red Cross secured for this study of river conservancy Mr. C. D. Jameson, member American Society of Civil Engineers, who was most highly recommended by prominent New York engineers, and who has passed sixteen years in China engaged in engineering work.

Mr. Jameson arrived in China in July and as soon as possible began his study of the river system of those portions of the provinces of Anhui and Kiangsu north of the Yangtsze River. The work was brought to a temporary halt the last of October owing to the present political disturbances, but, it is hoped will start again within a few weeks.

AREA UNDER CONSIDERATION.

The area under consideration includes in a general way that part of the province of Anhui north of the Huai river and the Hungtze Lake and that portion of the province of Kiangsu north of the Hungtze Lake. The reconnoissance so far made shows that there is no engineering difficulty in controlling the rivers, draining the swamp lands and lowering the flood level.

This area covers some 30,000 square miles and the overflows are of such frequency and duration that three-fifths of the crops are ruined. The one resource of the people is agriculture: there is nothing to fall back upon when crops fail. The soil is exceedingly rich, the climate a warm temperate; with proper drainage two crops a year will be possible, and with the many shallow lakes and swamp lands drained some million of new acres will be open for agriculture.

Much money will be required for the necessary work but the results will justify the expenditure and we hope the Government of China will appreciate the necessity of seriously undertaking the reclamation of one of the richest sections of China. It is either drain and reclaim the section or abandon it to become a waste swamp supporting a meagre population living near the line of actual want, with one-half beggars or robbers. The present dense population lives there at present simply upon charitable donations from the Chinese Government and foreign nations, which of course cannot last indefinitely.

HARVARD MEDICAL SCHOOL.

The cause of medical education in China receives new encouragement and support by the establishment in the

near future of the Harvard Medical School in Shanghai. The founders aim to build up a well equipped school for medical teaching of the Chinese in the English language, and to make it in every sense a center of medical thought, study and investigation.

To that end research laboratories will be established for the special study of those diseases found in Eastern Asia, and that threaten not only the health of China but also that of the world and America in particular. For the first few years special attention will be given to plague, amoebiasie, cholera, beriberi and filiariasis.

The conditions most necessary to the hygienic regeneration of China will also be studied from the first.

The complete laboratory staff will consist of five men —trained investigators—and laboratory assistants, who will give practically their whole time to research.

As opportunity offers, the diseases peculiar to China and as yet unstudied, or insufficiently so, will be investigated. The laboratories will hope to offer facilities for research work to men coming for independent study from other countries; and will aim in every way possible to assist in the development and advance of medical science throughout China.

IMPORTS FROM AMERICA.

Prior to the beginning of the present Revolutionary movement American merchants in China were regarding 1911 as a prosperous year. For the three preceding years the importation of manufactured cotton goods from America to China had been handicapped by the high prices of Raw Cotton; but in spite of comparatively high prices, this year has been a renewed demand, especially for the Northern Provinces.

In June last Raw Cotton prices began to give way, and the declining tendency has continued up to the present time, so that to-day American Raw Cotton is at a lower price than has been touched since the early part of 1908. This lower basis of cost would in itself have worked for an increased trade in American textiles and, with the returning demand, the current year should have seen a marked improvement which has been retarded by the existing unfortunate political troubles.

Much has appeared in the public prints concerning the competition which America has to meet in these fabrics, but in the opinion of those interested in the trade the initial high cost in America and the unfavorable financial conditions in China, notably in the Manchurian Provinces, have forced consumers to buy not what they liked best but what they found to be the cheapest in price. The restoration of normal conditions will it is believed lessen the effectiveness of such competition. The check put upon business by the present political troubles is considered temporary. With Peace will come renewed operations in the expanding trade in oils, metals and machinery.

FAMINE WORK.

While the effects of the floods which caused the famine of last winter we thought to be extensive, those which will bring so much distress this year are very much more extended. With the added suffering incident to civil war now being waged the population in these affected areas is indeed in a sad plight. Though the distress will be much greater, the response to the call for contributions is much less than in former years, in fact the out-look for these poor sufferers from flood and famine has never been worse.

The Central China Famine Relief Committee, which was re-organized this year, is using every effort to interest the people of all lands in the distressed of this country, and once more appeal for funds to carry on their work.

The method of relief to be employed this winter will differ from that of the last famine in that in all cases where it is possible relief will only be given to those who work. Unless a more liberal response is made to the repeated appeals of the Relief Committee, there will be untold suffering and innumerable deaths from starvation throughout a large portion of the Yangtse Valley.

CHINESE CURRENCY REFORM.

The question of currency reform which was fully referred to in the important paper on The Four Nations' Loans in this Association's Journal No. 25, is of necessity halting until a complete settlement of the present political situation has been arrived at.

It is a matter for speculation whether the currency scheme as it stands at present would be acceptable in its entirety to a new regime which might perhaps find it susceptible of improvement; but it is to be hoped that no great delay will mark the introduction of the necessary reforms, bearing always in mind the fact that immense losses which the country has suffered through civil strife and famine call more than ever for caution in the method of introduction and in fixing the period of time allowed for the enforcement of the reforms.

CHINESE AFFAIRS.

The growing discontent with governmental conditions on the part of the people of China has been patent to all observers for several years but no one could have foreseen the rapidity with which this sentiment crystallized into a military organization in open warfare against the dynasty. In previous Journals attention has been called to the growth of the movement for constitutional government, which resulted in the program of reform extending over nine years as well as in the calling of the Provincial Assemblies and of the National Assembly at Peking.

The orderly discussion of local affairs in the Provincial Assemblies by the representatives of the people elicited favorable comments from foreign onlookers who did not fail to observe, on the other hand, a strong feeling of resentment toward the government at the first meeting of the National Assembly one year ago. There was no attempt on the part of the government to placate this feeling and the first Assembly finally adjourned, realizing its temporary defeat but more determined than ever to carry on its projects of radical reform.

The second National Assembly convened the 19th of Oc-

tober, 1911. It had been known for several months that the Assembly would challenge the Government to decisive conflict on the question of the early calling of the promised Parliament, but events conspired to force that question into the background. An uprising in Szechuen province had for its object a protest against the nationalization of railways and the winding up of the provincial railway company which had become seriously involved in financial difficulties. In the province of Hupeh, the summary execution of three revolutionary leaders during the first week of October and the subsequent arrest of twenty-two suspects, nearly all of whom were soldiers, caused a military camp outside the capital city of Wuchang to mutiny. The soldiers marched into the city demanding to see the Viceroy before whom they wished to lay their case. Their attack immediately won the active sympathy of their fellow soldiers; the Viceroy took fright and fled for his life with the result that the whole city was thrown into a state of panic.

REVOLUTIONARIES ACTED QUICKLY.

The revolutionaries took advantage of the situation which had arisen so suddenly, combined with the disaffected soldiers, organized a temporary government, took charge of the city and thus set in motion the Revolution against the dynasty. From the latter part of October onward the Government had to meet two different forms of organized opposition—the armed revolt which centred at Wuchang and the peaceful demands of the National Assembly. The former has been anti-dynastic from its inception whereas the latter has maintained its loyalty to the throne. The Revolution spread with such unexpected rapidity that within a month only three of the main provinces —Chihli, Honan, and Shantung remained loyal, though military operations were successfully carried on by the Government in the province of Hupeh where it was able to maintain an army.

While the provinces were going over to the cause of the revolutionaries one by one the National Assembly kept up a vigorous campaign against the government. One of its first acts was to demand the dismissal of Sheng Kung Pao, the Minister of Posts and Communications. He had been the leader in the nationalization of railways and in currency reform and had carried through to a successful issue the two four-nations loans which were necessary for the completion of these great understandings.

The loans had been made without the sanction of the National Assembly during the interval of its first and second sessions. The prompt acquiesence of the government to the demand for the dismissal of Sheng Kung Pao exhibited the strength of the Assembly and the weakness of the government. The assembly finally embodied its demands in nineteen articles which were promptly agreed to by the Prince Regent on behalf of the dynasty. These articles provide for the permanent retention of the dynasty, for the prohibition of the appointment to office of members of the Manchu nobility, for the establishment of just laws which cannot be set aside by Imperial Decree and, in general, for the right of the people to have a controlling interest in deciding upon their own questions of government.

PRINCE REGENT TAKES OATH.

The Assembly demanded that the Prince Regent should take his oath in the Imperial Temple on behalf of the dynasty to execute faithfully the provisions of these articles. This promise was kept during the last week of November and thus the power of absolute government passed forever out of the hands of the Manchu dynasty and into those of the Chinese people. Early in November Yuan Shih-k'ai had been recalled to office by appointment to the Viceroyalty at Wuchang which was soon supplemented by later appointment to military control until at last he was given full power over all the naval and land forces. He did not take up an aggressive military policy against the revolutionists but advised negotiating with them with a view to a peaceful solution of the difficulties. The removal of Prince Ching from the place of Premier in compliance with the demands of the Nineteen Articles gave the Government the opportunity of appointing Yuan Shih K'ai to this high office and his appointment was confirmed at a later date by the National Assembly. Yuan returned to Peking and since that time there have been constant hopes expressed by revolutionaries and Imperialists that peace would be quickly restored. The Prince Regent only remained in office a few days after having taken the oath required by the Nineteen Articles and the young Emperor is now in charge of two Guardians, Hsu Shih Chang and Shih Su.

Up to the present there have been no indications of a combination between the military revolutionaries of Wuchang and the peaceful reformers of the National Assembly although the main object of both parties are identical, but an impartial estimate of the situation must give due credit to both elements for having caused the downfall of absolutism and the introduction of republicanism.

PEACE MEETING HERE.

During the second week of December the differences separating the various parties seemed to admit of the possibility of immediate adjustment and a conference was arranged which met at Shanghai the 18th December.

Tang Shao-yih was appointed commissioner on behalf of the Premier, Yuan Shih-k'ai, and Wu Ting-fang was made Commissioner by the Revolutionists. This conference decided upon an armistice to extend until the last day of 1911. The discussion of the conference turned upon the question of choosing between a republic and a limited monarchy as the form of government, thus showing that the first aim of the revolutionaries has been to overthrow the Manchu dynasty. Whether or not this determination will overshadow the general question of governmental reform remains to be seen; but it may be said that the interest of this Association in the settlement of the present troubles lies in the early establishment by China of a stable, progressive, constitutional government which will worthily represent the great Chinese people.

SHANGHAI'S COMMERCIAL YEAR.

(By Vice and Deputy Consul General W. Roderick Dorsey)

When the year 1910 opened the prospects for trade in Shanghai were especially favorable. Conditions were as nearly normal as could be expected in this Far Eastern market and both Chinese and foreign merchants looked forward to a year of peaceful trading. Money was plentiful and, with confidence in all quarters, few recent years have opened more auspiciously. But untoward circumstances arose which well illustrate the vagaries of business here and whose outcome marks the past year as one of the most unusual and sensational in the annals of the port.

Shortly after the first of the year a rubber boom was launched, which ended in a collapse to which most of the year's misfortune was due. Many rubber estates were purchased in the Straits Settlements by local promoters and the companies floated here. Inflation of the price of raw rubber in certain important centers fired the public with the idea that all they had to do to make money was to buy and sell shares. Soon the market was feverish and all kinds of share deals were entered into, transactions of large dimensions being conducted on a speculative basis. By the end of March prices were soaring, and from then on for the next few months the share trading can only be described as reckless. A flaw in the title of one of the companies instilled the germ of distrust, and profit taking, accompanied by a decline in rubber, resulted in a fall in values even more rapid than the advance. When the June settling day came around contracts could not be met and a full-sized panic was on, in which many solid investment shares suffered.

While a considerable sum of money left Shanghai to pay for the rubber estates, it was relatively small and not of itself sufficient to affect strongly the large total capital employed in trade. But the withdrawal from currency of this considerable amount made replacement necessary and investors were forced to liquidate other resources. Weak spots in the financial methods of the native banks, formerly only suspected, were revealed, and when the exigencies of the June settlement brought the climax, foreign banks took concerted action and decided to accept native-bank orders to a limited value only and on unquestioned securities. This cessation of cooperation by the foreign institutions, which had for years been the chief prop of the native system of credit, disorganized local finances and not only native banks but traders of highest standing were involved.

Industries were also affected. In Shanghai and vicinity it is said that not less than 300,000 people are employed by the various mills. It had been the custom for these mills to obtain cash for pay rolls and raw material from native banks against factory security, these banks getting the money from the foreign banks on their own order. During the crisis these orders from the native banks were refused, and the resulting curtailment of employment for so many people, added to the failure of banks and merchants, caused a grave situation, for the amelioration of which local officials were forced to intervene. Loans were raised from the foreign banks on official guarantees and the readiness with which money was forthcoming showed that the port was not short of treasure, but that lack of confidence had driven coin from circulation and made it difficult to obtain. The currency thus obtained and circulated afforded considerable relief, and by October the stringency had somewhat abated, the news that crops were satisfactory also giving promise of brighter days.

RESTRICTION OF NATIVE BANK ORDERS—PROPOSED REFORM.

Native bank orders as media of exchange have played so important a part in the business of Shanghai that their restriction was of more than ordinary moment. The custom had been for foreign banks to accept 10-day orders on certain native institutions, classing them as cash when duly honored by the bank, and delivering in exchange cargoes which had been hypothecated to them. The refusal to accept these 10-day orders meant sight orders or actual cash in all transactions. As cash had often to come from other ports more or less remote the local buyer was practically compelled to draw on local currency, and as much or nearly all had moved from the coffers of native banks in connection with the share transactions of clients, a stringency was inevitable.

At the close of the year various measures were under discussion between the Chinese Chamber of Commerce and the foreign banks, having for their object some permanent arrangement whereby a modification might be had of the present procedure which is held to be restrictive of trade. It is thought that 5-day orders will be accepted as a temporary compromise.

The rubber boom in theory affected Shanghai only, but other centers suffered also, and it was clearly demonstrated how intimately the trade of all Far Eastern ports is connected with the continued prosperity of this city.

CUSTOMS AND OTHER REVENUE—EXCHANGE.

Although the passage of cargoes through this port has shown a good increase, the benefit to the Imperial Government through revenues derived from import and export duties was not as substantial as such improvement would ordinarily warrant. In 1909 the total dues and duties collected amounted to 10,474, 939 haikwan taels, while in 1910 the total was 10,481,034, an increase of only 6,095 haikwan taels, or, at 66 cents exchange, $4,023. Though small, this gain is regarded as satisfactory, as likin fell off $141,544 and export and coast trade duties $53,079, because of the suppression of the opium traffic.

The increased average value of the commercial tael in the last three months doubtless contributed to the improvement in foreign trade in that quarter.

Copper currency fluctuated more widely, but at the close of the year was somewhat higher than the year before. The copper cash equivalent for the Shanghai tael in the last six years has ranged between 1,158 and 1,847, the value steadily declining. In December, 1910, the equivalent was 1,750, compared with 1,710 in December, 1909, and 1,440 in December, 1905.

NATIVE BANK RATE—TRADE IN TREASURE.

Except in the weeks immediately following the collapse of the rubber boom, the native bank rate was not unusually high. In the Chinese New Year season, when annual settlements are made, interest did not exceed 3.65 per cent. In July it rose to 9.85 per cent, but closed the year at 1.1 per cent.

The movement of foreign treasure in 1910 resulted in a gain to Shanghai of $9,311,503. Imports of silver amounted to $21,116,296, against $12,852,505 in 1909, and of gold $2,282,968, compared with $625,724 in the previous year. Of the gold, $2,214,150 came from Japan, which also sent $3,899,883 of the silver. Europe supplied $9,767,290 and America $3,212,752 of the silver in 1910, against $6,497,360 and $2,647,864, respectively, in 1909. Gold exports in 1910 amounted to $2,947,601, against $4,826,014 in 1909, and silver $7,291,006, compared with $4,803,061 the year before. Europe took most of the gold and Hongkong and India most of the silver.

The total stocks of sycee, Mexican silver dollars, and bullion held by foreign banks at the close of 1910 amounted to $9,508,800; by Government banks, $778,200; and by other Chinese banks, $3,509,400. This is an increase over 1909 of about $1,043,000, principally Mexican dollars. At the end of the year the foreign banks had in circulation notes to the amount of $2,087,093, and those of native banks were estimated at $1,557,420. Foreign banks will not accept notes of any but the Ta Ching or the Government bank.

SATISFACTORY FOREIGN TRADE.

In spite of the collapse of the rubber boom the returns of the Imperial Maritime Customs show that the past year's trade was satisfactory. The totals of the trade as classified by the Maritime Customs were as follows:

	1909	1910
Imports of foreign goods:		
From foreign countries and Hongkong	$121,021,845	$130,868,630
From Chinese ports	796,784	900,487
Total foreign imports	121,818,629	131,769,117
Reexports to foreign countries and Hongkong	4,581,428	5,610,504
Reexports to Chinese ports (chiefly northern and Yangtze)	87,700,164	91,096,812
Total foreign reexports	92,281,592	96,707,316
Net total foreign imports	29,537,037	35,061,801
Imports of native produce	102,797,461	116,498,243
Reexported to foreign countries	63,327,468	74,553,777
Reexported to Chinese ports	25,909,103	25,516,921
Total native reexports	89,236,571	100,070,698
Net total native imports	13,560,890	16,427,545
Exports of native produce of local origin:		
To foreign countries	33,284,834	41,389,992
To Chinese ports	25,121,788	21,249,919
Total exports of local origin	58,406,622	62,639,911
Gross value of the trade of the port	288,022,712	310,907,271
Net value of the trade of the port, i. e., foreign and native imports less reexports and native exports of local origin	101,504,549	114,129,257

GROSS FOREIGN IMPORTS.

The increase of almost $10,000,000, or about 8 per cent, in the gross value of foreign imports in 1910 over 1909, was due largely to the high prices for opium following the restrictions on importations of the drug, the value of which advanced, although receipts fell off considerably.

Imports of cotton piece goods of staple orders, such as shirtings, sheetings, and drills, both English and American, showed a shortage of nearly 6,000,000 pieces, which was made good to a certain extent by increased importations of English jeans, cotton Italians and Venetians, and Japanese drills. The supply of cotton yarns from England, Hongkong, and India fell off nearly 46,700,000 pounds, while the product of the Japanese mills increased by about 26,700,000 pounds.

In consequence of the financial stringency little was done in the metal business during the summer. Gross imports of kerosene appreciated considerably. Before July the price of Devoe oil averaged about 16.2 cents and of Sumatra 13.5 cents per gallon, but the cutting of prices between the larger companies reduced the price for Devoe to 14.5 cents in the latter half of the year and of Sumatra to 9.9 cents. Russian bulk oil, of which 1,500,000 gallons were imported in 1909, completely disappeared last year. American bulk oil declined almost 1,500,000 gallons, while that in tins increased 7,750,000 gallons. Borneo and Sumatra oil increased in bulk 3,500,000 gallons and in tins 280,000 gallons.

Gross imports of machinery show an improvement of nearly $250,000, about one-third of the entire amount arriving being shipped out to other ports before the end of the year. Competition is increasing rapidly, the demand more slowly, but the American manufacturer should not lose sight of the fact that China will in the future develop along manufacturing and industrial lines and will for many years purchase foreign machines. It is rumored that several important German machinery manufacturers, in order to avoid the expense of individual showrooms, will establish a joint display at this port to serve the Chinese market.

Gross importations of raw cotton increased by 17,000,000 pounds, principally in the early months of the year when the needs of the local mills could not be supplied from near-by sources. Later over one-third of this was sold to Japan.

Of cigarettes, 408,181,000 more entered at the local customs than in 1909, of which all but 14,353,000 were "second quality," the declared value of which works out at $1.20 per 1,000.

Gross imports of sugar declined because of the general depression during the summer. All grades suffered. This market continues to draw its principal supply of the higher grades from Hongkong, but Java and Japan send regularly good quantities of the inferior qualities.

REEXPORTS OF FOREIGN GOODS.

About 75 per cent of the foreign goods arriving in 1910, 76 per cent in 1909, and 80 per cent in 1908 were distributed elsewhere. The most striking feature of this trade last year was the excess of reexports over imports in several

lines of cotton goods, thus relieving the congestion in local warehouses and placing the trade on a healthier basis.

In American plain gray sheetings over 11 pounds, an excess of 800,000 pieces moved out of Shanghai, together with 215,000 pieces of drills over 12¾ pounds, while a surplus of 550,000 pieces of English white shirtings over 7 pounds and under 9 pounds also disappeared. Other substantial clearances in Americans were in gray sheetings over 9 pounds and under 11 pounds, and in shirtings over 9 pounds and under 11 pounds.

Owing to attractive offers from Japan large quantities of cotton yarn and raw cotton purchased from India were sold again to that country.

The net value of the foreign imports, or the total foreign imports less the reexports, was $35,061,801 in 1910.

AMERICAN TRADE EXTENSION—JAPANESE COMPETITION.

Many local dealers are pessimistic over the American situation, and unless there is a distinct recession in prices and a change in methods of distribution in Manchuria they see no brighter prospects for the future. One important American firm that has a well-organized system of depots in Manchuria for the distribution of other wares intends to enter the piece-goods market also, using its established facilities for the direct distribution of cotton goods. The result of the experiment is awaited with interest, for its success or failure will largely influence future American trade there. This system is somewhat similar to that of the Japanese which has worked so advantageously in the past few years. A local British firm with depots all over Manchuria for the purchase of soya beans also intends to forward moderate stocks to these depots to be bartered for beans. This will have the double advantage of circulation in small lots and of minimizing loss in exchange through the use of beans as a business medium instead of money. Many dealers here admit that Japan has a great advantage because of proximity, cheap labor, and direct operations, and that if her competition, which unfortunately affects our product most, is to be met it must be by methods similar to those she has employed so successfully.

In 1909 the item flour did not appear in the list of net imports at Shanghai, but makes its reappearance in 1910 with 1,270,000 pounds, valued at $30,171, or about $1.19 per bag. The average declared value of Shanghai-mill flour was $0.88 per bag.

Toward the end of the year a garage was opened by an American representing a well-known automobile. He advertises by keeping the car on the street, has already booked orders for several machines, and bids fair to increase the demand for American automobiles here. Owing to an absence of highways in the country around Shanghai, the radius and, consequently, the demand for machines is limited; but roads in the settlement are good and the motor car becomes more popular every day.

Japanese cotton umbrellas, which increased 330,777 pieces, were valued at a little over 26 cents each.

AN EPOCH-MARKING IMPERIAL EDICT.

Peking, December 28.—The following Decree has been issued by the Lung Yu Empress Dowager:

The Cabinet has submitted a telegraphic memorial from Tang Shao-yi, stating that Wu Ting-fang, delegate of the People's Army, strongly affirms that the peoples' will and wishes are to change the Government and set up a Republic which they have made it their object, to secure.

When the Wuchang disturbance arose the throne complied with the request of the senate and promulgated nineteen articles of constitution, which were sworn to in the Imperial Ancestral Temple. It had been hoped that hostilities soon would have ceased and those we should enjoy, the blessing of peace with Our people.

Confidence, however, was not inspired and political struggles ensued. Considering that the question whether a constitutional monarchy or constitutional republic is expedient to our country at present, is an important one, relating to internal and foreign issues decision should not be exclusively exercised by the people of one section, neither should the matter be decided by the throne alone.

An extraordinary national convention should be called and the subject should be jointly passed. The Ministers of State have asked that the near Princes and Nobles be summoned to discuss the question and on personal enquiry they are all agreed on this course.

The Cabinet is commanded to telegraph to Tang Shao-yi informing him of the idea, and to order him to acquaint the people's delegate, so that he may announce the fact.

The Cabinet is also commanded to draw up the rules of election satisfactorily, and immediately to convene a parliament. They will confer satisfactorily with Wu Ting-fang for both sides to cease hostilities so as to pacify the people and obviate great calamity.

It is observed that Heaven produces the people and establishes a sovereign for them so as to herd them. This intention was to have one man maintain the empire, but not to sacrifice the empire to an individual. The Emperor who has entered upon his great heritage is in boyhood, and I cannot bear to ruin lives and injure the whole empire. I hope for a decision by the convention, which should have for its objects national benefit and the people's blessing.

Heaven sees and hears through the people and I hope my patriotic soldiers and subjects will each uphold strict justice and jointly deliberate upon the great plans, such is my sincere hope! (Signed by Yuan Shih-k'ai, Prime Minister; Hu Wei-te, Acting Minister of Foreign Affairs. Shao Ying, Acting Minister of Finance; Tang Ching-chung, Minister of Education; Wang Shih-chen, Minister of War; Tan Hsio-heng, Acting Minister of Navy; Shen Chia-pen, Minister of Justice; Hsi Yen, Acting Minister of Agriculture, Industry and Commerce; Yang Shih-chi, Acting Minister of Post and Communications, and Ta Shou, Minister of Dependencies.)

CHINA COTTON TRADE CHANGES.

(From Consul General George E. Anderson, Hongkong, Dec. 15, 1911.)

The revolution in China has upset the trade in cottons in South China in unexpected ways. Not only has there been that contraction of demand for goods which naturally might have been expected, but there has been a notable change in the nature of what demand has been left. The contraction in demand generally has been such that reports from the trade indicate that trading has nearly ceased in some ports.

In spite of the high price of cotton in China and Japan due to the floods in China and more or less of a failure of the crop in India the average price of Indian and Japanese cotton yarn in South China dropped about 25 per cent in the past few weeks as a result of general slack demand and general conditions. In Hongkong middlemen report that they have lost 70 to 90 per cent of their business and that only forward orders have saved them from losing practically all of it.

Not only has the demand fallen off, but owing to disorders in the interior boatmen will not contract even at high rates to carry yarn or similar valuable goods when they have been sold, the presence of valuable cargo on the boats attracting the attention of the pirates and robbers infesting the near-by interior. Orders for goods have been countermanded freely and in a number of cases goods have been refused on arrival. While there has not been as much trouble of this sort as has been anticipated, this fact is due more to the readiness with which countermanding orders have been accepted by mills than through any action on the part of the Chinese traders concerned and jobbers have avoided heavy losses mostly through consideration on the part of manufacturers.

The general situation at the middle of December was considerably improved for the reason that it has come to be understood that trading will be in small volume if any for some time to come.

There has been a notable change in the character of the trade which has continued, however—a change which will probably characterize the trade for some time to come and it seems probable that Chinese trade in cottons will never be exactly of the sort it has been. Change in Chinese dress is much more extensive than had been anticipated. Thousands of Chinese in the open ports have not only done away with their queues, but have turned to foreign dress altogether. Foreign dress tailors in Hongkong have orders booked for all they can do for several months.

The great mass of Chinese business men in the interior in touch with foreigners have modified characteristic Chinese clothing so as to appear semiforeign in style. The characteristic long coat or gown is now quite generally being cut short—about the length of an ordinary sack business coat in America—and this style is being adopted more and more generally in the interior. This in itself means a considerable change in demand, and not only is the cut of clothing being quite generally modified, but the nature of the cloth used is being modified more radically.

There has sprung up an extraordinary demand in the open ports for woolens and for cotton goods manufactured in imitation of woolens. Naturally there has been a corresponding falling off in the demand for cotton "fancies" and other goods used formerly in Chinese dress. The use of goods of a style to approximate foreign style men's clothing in appearance is immensely on the increase. Chinese traders give the opinion that the change in demand is permanent. Inasmuch as the United States has not been directly interested in the trade in "fancies" the change is rather to the advantage of American cotton interests.

General feeling in practically all lines of trade in South China is pessimistic. Most trade authorities agree that if normal conditions are reached within a year the best to be reasonably expected will be realized.

The following statistics of exports of cotton cloth from the United States and the United Kingdom to China during 1910 and 1911, by months, would not indicate much recent decline in that trade. It is probable, however, that stocks are accumulating at Shanghai and other leading ports:

	United States		United Kingdom	
Months	1910	1911	1910	1911
January ...	.....	$390,359	$2,746,443	$4,201,751
February ..	$3,568	222,309	2,335,044	4,558,601
March	3,983	486,439	2,749,884	4,431,907
April	209,841	444,472	2,506,257	4,086,308
May	1,342,041	869,882	2,626,260	3,464,349
June	662,990	960,016	3,256,944	4,067,581
July	727,329	788,798	4,106,723	3,860,633
August	563,587	625,749	3,884,440	4,375,052
September .	263,334	581,168	3,173,347	3,986,403
October ...	56,682	484,934	2,594,891	4,811,712
November .	90,740	877,394	2,017,734	3,262,176
December .	227,245	844,814	3,386,227	2,915,671
Total.....	$4,151,340	$7,567,334	$35,384,194	$48,022,144

SILVER'S FUTURE.

To the Editor of FINANCIAL AMERICA,

It has been my privilege in the last two years or so to contribute to the columns of your well-known bankers' edition some discussion of the position of silver as a commodity and as a metal which is not likely in many years, if ever, to lose value and interest as a highly important medium of currency, especially in the Far East. Your news columns first inspired me to some study of the subject and your news columns are now confirming the opinions which were formed after that study. The situation may be crystallized in a few words: China's adoption of a reorganized silver basis currency may possibly lead to revolutionary changes in the position of the white metal.

Of course it is not intended here to suggest that a recrudescence of the question of bi-metallism is probable. The verdict of the modern world that monometallism must rule in any standard of values, will not be altered. That silver might displace gold as a standard is theoretically thinkable; but that it can co-exist with gold as such has been proved impossible after the world's experience of the last 50 years.

But as has been pointed out in your columns, and as was maintained in an article in the "Forum" of last October, by the writer, the new factor of Chinese con-

sumption is one which has almost incalculable possibilities in the money-metal markets. This letter is invited by your publication of extracts from the annual reviews of the leading London bullion brokers—Mocatta & Goldsmith, Pixley & Abell and Samuel Montagu & Co., in all of which (as well as in their weekly circulars) increasing stress in laid upon the consumption looming up from the awakening Chinese Nation. This prospect has inspired the Montagu circular to "near-poetry," and its remarks on the situation do not lose force because the head of the concern—Lord Swaythling—has a brother who is the Under Secretary of State for India for Great Britain. Let me quote from this circular a little more freely than did your news columns:

"Concurrent with the advance of railways and the tapping of the material resources of China, moves a stealthy stream of metallic wealth in payment therefor, and when we consider the vast fields for enterprise, the fringe of which has barely been touched, we may anticipate that the current will widen as it flows. The first function of new railways is to tap the local markets, a comparatively easy process, but it is much more difficult to carry trade in exchange for local production, and that for two reasons. A market for foreign commodities must be created, and the Chinese peasant, extremely poor on the average, must first be provided with the means to buy, that is he must receive enhanced payment for his labor before he can purchase important luxuries. Therefore, whilst the railways continue to stretch out after the unexploited wealth of China—not only the wealth beneath her soil as yet unmined, but also the wealth attaching to the patient toil of her scarce counted sons—so long will the balance of trade be in favor of China. At present the railway system of China has not left its cradle and though other Nations may expect, and with good reason, to profit by the opening of trade throughout the Empire in that country, China herself will grow rich. A mere additional tael a head means £50,000,000. It may be here pointed out that the possibilities in regard to silver in the Celestial Empire are, to a large extent, independent of any scheme involving a gold standard. If a large silver currency is needed for India, much more is it for China on the score of population, territory, and ancient usage. Whether the addition to the currency called for by increasing wealth be imported by way of exchange or be purchased by the Government the price of silver cannot fail to be affected favorably."

You will note that the bullion brokers just quoted place the possible needs of the Chinese Empire at the equivalent of about $250,000,000. A census taken by the Chinese Government last year placed the population of the country at something over 329,000,000. On the basis of the coining value of the United States standard, to create only a dollar a head would call for 329 millions of silver dollars to provide which would demand 250,000,000 ozs. of silver, or about 28 millions fine ounces in excess of the production of 1910, the latest year for which final estimates have been made by the United States Mint on the world's production of silver. This personal estimate is lower than that suggested by Samuel Montagu & Co., but it is of sufficient significance.

Of course the coinage consumption of China would be gratified gradually. Nevertheless, it is easily conceivable that with the increasing use of silver in the industries and the arts, the new coinage demand, together with the industrial consumption, could easily match and would probably exceed the total current annual output of the mines. We have a new factor also, which cannot be indefinitely deferred from operation, in the need of the Indian Government to increase its holdings of silver rupees in its currency reserve. There have been no purchases of silver by the Indian Government since 1907, and the expansion of the trade of India, notwithstanding the larger use of gold and of Government notes in that country, will soon compel an addition to the rupee currency of the great British dependency. It seems probable that these purchases would have been resumed ere this had not the available stocks of silver been concentrated to the extent of about $20,000,000 in the hands of an alleged combination of Indian speculators. The Indian Government naturally objected to play into the hands of a speculative clique by entering the market for silver purchases at a price that would reduce seignorage profits, but even Governments, as well as individuals, are liable to make the mistake of staying too long out of a market to which natural conditions are giving inherent strength.

The world in general has been deficient in its coinage of silver for currency for the last few years. If total coinage consumption in 1912 or 1913 should rise to the annual average of, say, the five years from 1904 to 1908, it would exceed 142 millions. Add, say 20 millions for Chinese consumption (assuming that figure as an annual average) and we have a total coinage consumption for the world of 162 millions, leaving only 60 million ounces from the world's production to supply industrial needs, which, for 1908 and 1909, averaged about 100 million ounces, while there is little doubt that in 1910 and 1911 these figures were largely exceeded. In a word, statistics indicate that the present and potential demand for silver as a commodity and for money uses is very largely in excess of the total mine production. Unless these figures can be successfully disputed, there is little doubt that the producers of silver throughout the world are confronting a period of greater profits than they have enjoyed for a long time.

Of course the existing disorders in China have temporarily put the country's currency reform on the shelf. This condition of affairs, however, will not last indefinitely, and whether China becomes a Republic or remains an Empire, no well-informed student of the situation can have the slightest doubt that as soon as possible the new coining system will be put into effect.

JAMES S. H. UMSTED.

New York, Jan. 20, 1912.

BROKEN CHINA AND THE NEW REPUBLIC.

(*From the* [*London*] *Saturday Review.*)

It would probably be unfair to attribute the defection of Western Mongolia and the menacing outlook in Tibet directly to Republican influence. The disaffection of which they are an expression is due in large measure to recent attempts by Peking to assert an authority which is extrinsic to the Chinese concept of Imperialism. The mutiny and withdrawal of the Chinese army of occupation in Tibet may open a way for the return of the Dalai Lama; and a conviction that the Manchu dynasty is tottering to its fall may have encouraged the Mongols to declare themselves independent under a native Khan. But the ground had been prepared by recent attempts to translate a suzerainty which once found expression in tribute and adulation into a more stringent rule. Provinces and Dependencies had been wont to govern themselves more or less independently in proportion to their distance. Every official, from a Governor-General to a magistrate, received his appointment direct from the Throne, within the limits of China Proper; though every province possessed a large measure of administrative independence, collected its own taxes, and paid subsidies to the Imperial Exchequer. The right to determine the amount of these subsidies has been strained, lately, in the attempt to meet increased ex-

penditure due to foreign loans and innovations; and violence was done to the theory of administrative independence by the attempt to impose a system of State railways in the teeth of protestation by each province that it would make its own. Interference in Tibet and Mongolia has been different in kind, but inconsistent equally with the theory of domestic freedom. Attempts have been made to impose fresh taxation, new methods of education, fresh conditions of military service and, generally, to exert an authority which was resented, probably, as much as the novelties it was sought to introduce. The Abbé Huc noted, sixty years ago, that an advancing wave of Chinese colonisation was driving the Manchu herdsmen off their plains. It would appear that similar influences have been at work in Mongolia, as Russia is said to have requested China, last year, to desist from methods of colonisation by which she was dispossessing the Mongols of their fertile valleys and forcing them to remain on the grazing uplands. China demurs that subjection of its policy to Russian approval means an interference with her "sovereign rights"; but while she is debating the theory, Mongolia is slipping from her grasp. Russia is probably sincere in professing that she has no desire to detach Mongolia from Chinese sovereignty so long as China is content with the more or less shadowy supremacy she has been wont to exercise, but Russia cannot be indifferent to the welfare of a great region adjoining her frontier. If the Imperial Government had endured, an understanding would probably have been reached; but the effect of substituting the new vintage of Republican theory for the mellowed wine of Imperial tradition is that the Empire is in danger of disintegration. What inheritance have Urga and Lhassa in Sun Yat-sen? What portion has Tibet or Mongolia in a Republic? Besides, "one is far apart, and one is near". Is it likely that a Mongolia which has cast off the nominal protection of China will escape the nearer and more powerful influence of Russia? Would not Tibet have been prone to come under the influence of India if the conditions established by Sir Francis Younghusband, as the fruit of our expedition, had not been thrown away? The Tibetans were quite disposed to be friendly with the British. We handed them over instead to the tender mercies of China which they hate. The pretence of Chinese suzerainty seems to have been thought diplomatically useful. How long will it now be kept up?

The outlook is hardly satisfactory to those who regard the integrity of the Empire as an international interest. Nor can it be said that the progress of events is calculated to excite hopes of a speedy settlement within the Central Kingdom itself. The offer of the Throne to submit the question of the future form of government to a Congress of delegates from all the several provinces, duly elected for the purpose, appeared to onlookers to be exhaustive. Refusal must imply not only a foregone purpose but uncertainty whether the nation would really endorse the Republican principles that the Revolutionists so confidently assert. The offer was not refused; but request was made that the decision should be left to a certain Assembly now sitting at Nanking instead of to a duly elected Congress! Now Yuan Shih-kai may or may not be right in his belief that seven-tenths of the people of China are predisposed in favor of the Imperial concept. The Revolutionists may or may not be convinced that they express the prevalent wish more truly by insisting on a Republic. It may or may not be true that hardly one in 100,000 of the people of China knows what a republic means. But diplomatic opinion at Peking appears to sustain Yuan's objection that an irregularly elected Assembly which has since manifested its bias by electing Dr. Sun Yat-sen Provisional President of a Republic, is insufficiently representative and independent to decide a matter of such supreme national importance. It is necessary to examine a little closely the records available in Shanghai papers, in order to ascertain precisely what has taken place. Nineteen delegates, it would seem, from eight provinces (Anhwey, Kingsu, Hunan, Hupeh, Chekiang, Fuhkien, Kwangsi, and Shantung), holding proxies from three others (Kiangsi, Kwangtung and Kweichow), and reinforced by one delegate each from Chihli and Honan which have not yet declared independence and who were allowed to speak therefore but not to vote, drew up and adopted at Wuchang, on December 3, Articles of Confederation for the Provisional Government of a Republic. These regulated (1) the election and powers of a Provisional President; (2) the constitution and powers of a National Assembly; (3) the constitution of Executive Boards; and provided (4) that within six months after the establishment of the contemplated Provisional Government, the Provisional President should call a Convention of the people, by whom presumably the Constitution should be determined, as it is provided that the Articles "shall become void from the day when the Constitution of the Republic of China comes into full force." Two days later, on December 5, "Representatives of Hunan, Hupeh, Kwangsi, Honan, Shantung, Chihli, Fuhkien, Chekiang, Anhwey, and Kiangsu" telegraphed to the Revolutionary Authorities at Shanghai that they had decided on these rules; that they had jointly passed a resolution that the Provisional Government should be established at Nanking; that all provincial representatives must assemble at Nanking within seven days; that if more than ten provincial representatives were present a Provisional President of the Republic would be elected; and requesting that the provinces of Kwangtung, Kiangsi, Yunnan, Szechuen, Shansi, Shensi, Kansuh, Kweichow and the three provinces of Manchuria might be notified to appoint representatives to proceed to Nanking accordingly. Now it is desirable to note, in estimating the degree of authority represented, that delegates from eight only of the 22 provinces into which China is divided were actually present at Wuchang; that one of these, Shantung has since returned to its allegiance, thus reducing them to seven; and that of the ten named as telegraphing neither Chihli nor Honan (besides Shantung) had declared for the Revolution—how revolutionary soever they may feel. How many of the provinces adjured sent delegates in response to the invitation, we do not yet know; but it is safe to assume that, in the case of distant ones, response was impossible within the seven days given. It was, at any rate, by an assembly constituted in pursuance of these arrangements that Sun Yat-sen was elected Provisional President, so that the doubt expressed in the "Saturday Review" of December 16 as to the ultimate acquiescence of the 22 provinces in the principle of a Republic or in their ultimate agreement on the choice of any single personality for the Presidency appears still admissible. It may be remarked, of course, that the election is ephemeral, and can be confirmed or undone six months hence. But it becomes important to consider the nature and constitution of the Assembly when we reflect that it is to it, instead of to the Congress contemplated by Yuan Shih-kai, that the Revolutionaries insist on the decision as to the future form of Government being left. It is difficult to see how he can yield, or what further concession he can be expected to make—unless it is believed that he will advise the dynasty to abdicate without further ado. Every condition named by the Revolutionaries seems to have been accepted, short of the supreme act of vacating the Capital and the Throne. But it is precisely upon that issue that their Representatives seem determined to insist. If they would be content with the extrusion of the Princes and the emptying and cleansing of the Palace and all that it implies, they would probably be met: Yuan would hardly fight for them. But a great volume of sober opinion will assuredly sustain him in upholding the morchical ideal until a contrary decision has been expressed by an Assembly more deliberately chosen and more certainly and widely representative than that which has just set up a Provisional Republic at Nanking.

R. S. G.

AMERICAN SHARE IN INDIA'S TRADE.

(By Consul General William H. Michael, Calcutta.)

The total white population of India, including Europeans, Americans, Australians, Jews, and Anglo-Indians, is about 300,000, distributed over all India. These people require the same class of goods that are consumed in Europe, America and Australia. The purchasing power of this part of the population of India has been increasing from year to year, and is likely to continue to do so in the future. This leaves about 314,600,000 people with dark skin, who are divided into various castes and tribes and represent many grades of purchasing ability. The princes, maharajahs, rajahs, parsis, and babus, who embrace professionals, rich traders, money lenders, and wealthy landowners, are able to buy whatever their fancy suggests. They build extensive business and residential houses, and provide themselves with modern conveniences and rich furnishings when obtainable. They use the finest carriages, automobiles, horses, and harnesses. They place in their homes musical instruments, pictures, and statuary, and possess jewelry of the most expensive sort, precious stones, silks, satins, linens, laces, gold embroideries, etc.

There are about 250,000,000 people in India who are supported by agriculture, 50,000,000 supported by industries, 8,000,000 supported by commerce, 3,000,000 supported by professions, and the balance are dependents. The native ryots (farmers) consume practically nothing made in the United States, except patent and proprietary medicines, which are offered for sale in the bazaars. They clothe themselves with cotton dhoties, saries, and cheap Indian-made shoes. A portion of the cotton used in their costumes is manufactured in England and in the mills of India and part by the hand looms found in many parts of the country districts. The hand looms are understood to consume about 500,000 bales of cotton per year. The natives use chiefly agricultural implements manufactured by themselves, which are of rude and cheap construction. In some localities they are beginning to use a little better class of plows, but not such as are manufactured in the United States. The foundation for the average plow used by the Indian ryot is the fork of a tree. Poverty and preference for the old styles keep the Indian farmer from adopting modern agricultural implements. The 50,000,000 people who are supported by industries are in much the same position. They live in huts and cheap houses with the most ordinary furniture, without carpets.

The population supported by commerce, so far as the native element of it is concerned, creates little or no demand for foreign-made goods, except cotton piece goods and silks, veilings, ribbons, etc., which are purchased in England and on the Continent.

TRADE BY COUNTRIES.

India's trade with the principal foreign countries during the fiscal year 1910-11 was as follows:

COUNTRIES	IMPORTS FROM	EXPORTS TO
United States	$11,828,000	$43,312,000
Austria-Hungary	10,252,000	22,873,000
Belgium	18,720,000	34,941,000
Ceylon	2,996,000	25,955,000
China	7,948,000	62,129,000
France	6,745,000	50,514,000
Germany	16,708,000	60,053,000
Italy	4,924,000	25,306,000
Japan	10,836,000	41,917,000
Java	29,232,000	11,393,000
Straits Settlements	9,700,000	24,949,000
United Kingdom	256,400,000	174,331,000

EXTENSION OF AMERICAN TRADE IN INDIA.

An active and industrious commercial agent who has been all over India and studied the needs of the people and the business methods said that he regarded India as the best field for American foreign trade in the Near or Far East. He returned to the United States for the purpose of getting together a line of samples with a view to returning to India and making it a permanent field of commercial operation. He stated emphatically that the only way to work India as a commercial field is to visit every store and every bazaar, exhibiting samples of superior goods and prices that will compete with English, German, and French prices for the same class of goods. This young man's conclusion was no different from the conclusions reached by many other commercial men.

It is safe to say that 95 per cent of the trade in American commodities in India that have been introduced and sold here during the last six years have been the result of personal representation. Circulars and catalogues rarely get original business. After goods have been introduced and have gained a foothold, advertising literature is necessary to hold and enlarge trade.

SHIPPING—COASTING AND TRANSFRONTIER TRADE.

The total number of ships entered and cleared at Indian ports increased from 8.042 in 1909-10 to 8,435 in 1910-11, and the tonnage increased from 14,597,091 to 14,984,528. The total number of steamers in 1910-11 was 5,819, with a tonnage of 14,764,531. The number of vessels of the principal countries entered and cleared in 1910-11 was: Great Britain, 4,745; Germany, 416; Austria-Hungary, 208; Norway, 103; Japan, 77; Italy, 84; France, 56.

It is difficult to give a correct idea of the total value of the coasting trade, because of the exchanges between ports in British India and ports in Indian native states and foreign settlements. Taking all these various elements into account, the net value of the coasting trade in the year 1910-11 amounted to $192,783,733 for merchandise only, an increase of 2.1 per cent over the preceding year. Food grains represented 18.3 per cent of the value; mineral oil from Burma, jute bags from Calcutta, coal from Bengal, and piece goods from the Bombay presidency, followed in the order named. The greater part of the coasting trade

is between Burma and the ports on the western shore of the Bay of Bengal, especially Calcutta, and along the coast, between Bombay and Karachi.

The transfrontier trade of India is capable of great expansion in all directions, and the control of Rimi and the Mishmi country will probably soon give British India a short cut to the heart of China. This will permit an easy extension of the Bengal-Assam Railway, the present terminus of which is north of Manipur, about four days' ride from Calcutta, and 250 miles from the Yangtse River of China. This route would open to the world a district having great natural resources, especially of petroleum and coal.

The total value of India's trade across the frontiers during the fiscal year 1910-11 amounted to $44,686,347 in merchandise and $9,215,258 in treasure. The trade with Nepal is greater than that with any other of the frontier states, making up over one-third of the total transfrontier trade in 1910-11. The chief exports from India to Nepal were cotton piece goods, yarns, metals, salt, spices, and sugar. The imports from Nepal were principally of foodstuffs, cattle, hides and skins, and seeds and spices.

[Reviews of India's trade by sections appeared in the Daily Consular and Trade Reports of Feb. 2, Mar. 29, June 28, Sept. 4, Sept. 8, and Dec. 15, 1911.]

TRADE REVIEW OF CALCUTTA.

(By Consul General William H. Michael.)

The Calcutta consular district embraces the Provinces of Bengal, Eastern Bengal, and Assam, the United Provinces of Agra and Oudh, parts of the Punjab, the Northwest Frontier Provinces, the Central India Agency, Kashmir, Orissa, Nepal, Bhutan, Sikkim, and the French settlement of Pondicherry, covering an area of 582,359 square miles, with a population of 115,016,608 in 1901.

The cotton-goods trade was strong throughout the year, in spite of the high prices. The United Kingdom supplied 94 per cent of the imports in this line. There was an unprecedented rise in the imports of sugar, over 90 per cent of which came from Java. The purchases of foreign oils fell off $533,000. A large trade has sprung up in white oil, an odorless, tasteless form of petroleum, refined in Germany. It is used for adulterating coconut oil, and is perfumed and used for hair oil. There was a rise of about 12 per cent in the value of the boot and shoe imports, while the number of pairs remained about the same as in the preceding year. This would seem to indicate a demand for a better grade of shoes. The importation of motorcycles and automobiles doubled during the year.

JUTE EXPORTS—OPIUM AND TEA.

The higher duty imposed on tobacco at the beginning of 1910 caused a drop in the imports of that article from 3,750,000 pounds in 1909-10 to 750,000 pounds in 1910-11. The value declined from $1,300,000 to $700,000. As a result, the cheaper grades of foreign cigarettes were largely displaced by the home product.

The total value of the raw jute exports was higher than in 1909-10, although the quantity exported was less. The shipments from Chittagong amounted to 296,050 bales, and from the two Bengals to 3,552,450 bales. The imports into Calcutta and the mill stations totaled 7,463,511 bales. Prices ranged from $11.35 to $19.49 per bale, the average shipping price being $13.54. Overproduction and the high price of raw material made the year bad for the gunny cloth and bag industry. The United States was again the largest customer, taking bags and cloth to a value of $19,459,999. The Australian demand increased while that from Argentina fell off. The reaction from the erection of a number of new mills forced the stopping of over 3,000 looms and curtailed the importation of jute-mill machinery.

The total amount of provision opium notified for sale in Calcutta dropped from 39,600 chests in 1910 to 30,940 in 1911. Prices were unusually high, the exports of tea from Calcutta passed the record figures of 1909-10 by 2,750,000 pounds, the total being 187,414,471 pounds. The total tea shipments from British India totaled 254,301,089 pounds. The feature of the year was the great increase in the shipments of tea to Russia. The exports to the United States and Canada remained about the same, a slight decline in the United States' purchases being balanced by a corresponding increase in Canada.

OTHER EXPORTS.

The exports of hides increased slightly, as did the average price. The exports of raw skins fell off, owing to a decrease of $1,566,800 in the shipments to the United States, which takes three-fourths of the skins shipped from Calcutta.

The shipments of oilseeds increased to nearly 300,000 tons, and the value to over $19,460,000, an increase of 75 per cent over the value in 1909-10.

While much smaller than those of 1909-10, the lac exports in 1910-11 exceeded those of any other previous year. The shipments to both the United States and the United Kingdom, the largest consumers, fell off.

The chief feature of the year in the cotton trade was the high range of prices due to the shortage in the American crop. The small Indian crop caused a decline in the quantity exported, however.

In spite of a drop from $130 per ton in 1909 to $95 in 1910, the exports of hemp showed an increase, the total shipments being valued at $918,000. The total shipments of indigo dropped from 18,061 hundredweight (hundredweight=112 pounds) in 1909-10 to 16,939 hundredweight in 1910-11.

The exports of mica increased by 20 per cent, one-half of the total going to the United Kingdom, one-fourth to the United States, and one-eighth to Germany.

The yarn and thread trade suffered from overproduction, and from the high price of raw material. It also met increased Japanese competition in the Eastern markets.

EXPORTS TO THE UNITED STATES.

The value of the principal exports to the United States and its possessions invoiced at this consulate during the calendar years 1909 and 1910 is given in the following table (shipments in 1909 to insular possessions being included in exports to United States):

ARTICLES	1909	1910
To United States		
Cotton, raw	$128,863	$201,002
Drugs	5,469,910	3,417,564
Embroidery	59,675	28,509
Jute, and manufactures of:		
Jute and jute butts	5,250,395	3,757,422
Gunny bags	2,115,388	2,115,265
Gunny cloth	18,454,734	19,128,927
Hides and skins	7,502,810	6,789,442
Linseed	.....	1,860,656
Mica	130,883	226,951
Saltpeter	495,795	296,140
Silk, raw	41,288	7,633
Tea	347,922	398,438
Wood	.....	55,388
Wool	213,055	16,892
All other articles	84,029	140,348
To Porto Rico		
Gunny bags	.....	123,714
To Philippine Islands		
Gunny bags	.....	30,980
Gunny cloth	.....	40,718
All other articles	.....	15,082
To Hawaiian Islands		
Gunny bags	.....	409,462
Grand total	$40,294,447	$39,060,533

TRADE AND INDUSTRIES OF CEYLON.

(By Consul Wm. C. Magelssen, Colombo.)

The economic prosperity of Ceylon is at the highest point ever reached in its history; the improvement, far from showing a tendency to decrease or even to remain stationary, promises to progress steadily.

When it is considered that of the total area of the island—16,307,840 acres—only 2,875,000 acres are under cultivation and that the additional ground opened each year in tea and rubber is enormous, it will be seen that there is every reason to be most optimistic about the future. From August, 1909, to August, 1910, there was an increase of 3,000 acres of tea and 14,000 acres of rubber (these figures allow for the interplanting of the products and may be taken as net increase in each instance).

The land not under cultivation is covered by forest, scrub jungle, or Patna grass, but in many parts of the island there are unmistakable indications that much of this has at one time been under successful cultivation.

It is estimated that there are at present about 900,000 acres under palms, coconuts principally, and areca nut, palmyra, kitul, etc. In addition to the number exported it is estimated that 2,000,000 coconuts are consumed daily in Ceylon. There is a large export trade in areca nuts as well as an enormous home consumption. Jaggery, a kind of brown sugar, is obtained from the kitul palm, most of which is consumed locally. Arrack, the native drink, is made from fermented and distilled palm juices. This same liquid in an unfermented form, a kind of sweet toddy, is drunk extensively and is an important foodstuff of the people.

Although there are more than 600,000 acres under rice, the amount harvested each year is insufficient for home consumption. The customs returns for 1910 show that rice to the value of more than $15,000,000 was imported during the year. The tea acreage is reckoned at a trifle more than 400,000, the estates being in the hilly districts in the interior of the island. The lower-class teas come from altitudes ranging from 1,000 to 3,000 feet, while the better class come from altitudes above this to 6,000 feet. These latter are grown in the Nuwara Eliya and adjacent districts in the center and highest part of the island.

Acreage under Rubber and Other Products.

Within the last few years large tracts of land have been opened for rubber cultivation, almost entirely by European capital. The hot, moist lowlands have proved best for rubber cultivation, and in many instances where low-grade tea has been growing the land has been interplanted with rubber, which at about the time it will reach the requisite stage for tapping is expected to kill off the tea. In this way land hitherto considered of low value is being turned to excellent account and it is expected that no appreciable loss to the owner will result from the transfer.

It is calculated that about 120,000 acres are under vegetables; a like amount under grains other than rice; 64,000 acres under spices, cinnamon, cardamoms, etc.; 33,000 under cocoa; and 25,000 under tobacco in the Northern Province. With regard to the latter it seems to be the opinion that although it is possible to raise tobacco here equal to the Manila and Virginia products it will not be a commercial success till curing methods are improved. As yet little is really known beyond the fact that those grades of tobacco which have so far been planted seem to hold their original quality in reproduction as far as this can be ascertained from the green leaf.

With the exception of tea, rubber, cocoa, and a small amount of coconut, all the areas under the forms of cultivation mentioned are owned, managed, and worked by natives. On the other hand, tea and rubber estates especially are owned and operated by Europeans.

Labor Conditions.

With few exceptions labor is drawn from southern India, the up-country estates being worked entirely by Tamils, while occasionally on low-country estates Cingalese labor is found. As a general rule the Cingalese laborer is rated low, being neither as strong nor as willing as the Tamil. The lower class of Cingalese are either small farmers or servants, while the middle and upper class men are keen competitors of the Europeans in both professional and mercantile life.

The labor question in Ceylon is becoming more of a problem every year. Formerly cheap labor was to be had in abundance and the present shortage is considered to be due solely to the increase in the planting industry, more especially that of rubber, throughout the middle East, India, Ceylon, and the Straits Settlements, and the consequent increased demand for labor.

As an attempt at solving the labor problem Ceylon has sent a labor commissioner to India to influence the Kanganies to draw their supplies of labor from districts which till now have not been tapped. This is not a simple matter, for the whole transaction is worked on the personal relation system, the Kanganies recruiting almost entirely from

among their relations and the latter's relations, and a change of source means the establishing of fresh connections in new territory. Further, the new districts are, almost without exception, at considerably greater distances from Ceylon than those at present worked. The natives, though of the same Tamil race, differ in habits of life in certain respects from those at present employed; for instance, they are eaters of meat to a large extent, whereas the present laborer is satisfied with vegetables and a cheap grade of rice. Their capacity for work has not yet been tested in Ceylon, but Indian planters affirm that there is no appreciable difference between the two in this respect.

TEA SHIPMENTS.

The chief feature during 1910 in the tea market was the unprecedented demand for Russia. From 1907 onward shipments to that country diminished from over 2,000,000 pounds in green tea alone, to 500,000 pounds in 1909. Last year, however, showed an extraordinary increase in the Russian consumption of about 4,500,000 pounds more than in 1909. On the other hand, the exports to the following countries declined the amount given compared with 1909: United Kingdom, 12,000,000 pounds; United States, 1,250,000 pounds; Australia, 1,000,000 pounds; and other countries, 500,000 pounds; the reason being that the demand was greater than the supply, and prices were forced up to such an extent that buyers curtailed their operations to immediate requirements only.

The yield of tea in some districts was only normal, in others on account of the drought it was below the average, but prices in all cases were excellent and beyond expectations, and there is a fair prospect of still further advance in prices in the near future. The year closed with an average of 9d. (18 cents) per pound, the best recorded since 1895.

TRADE IN COCONUT AND ITS PRODUCTS.

The year 1910 was on the whole a satisfactory one for Ceylon's coconut products, for it not only witnessed copra sold at 93.50 rupees ($30.33) per candy (560 pounds), but also marked a considerably increased export trade in coconut oil and desiccated coconut. The long drought and the heavy rains which fell in the latter part of the year were responsible for somewhat decreased production compared with the previous year. Coconuts rose to a good figure, but the general shortage, and probably the increased consumption of the nut as a food by the natives, resulted in fewer coconuts being exported. The United Kingdom, which yearly takes something like 10,000,000 nuts, imported nearly 800,000 less than in 1909, but the demand made by the European countries, taken together, was larger than in the previous year, Belgium alone increasing its imports by one-fifth. Coconut oil also found a ready market the world over, and prices showed a steady upward tendency. The previous year's export of desiccated coconuts was largely exceeded last year, from 27,000,000 to 28,000,000 pounds being sent out of the island, as against an average export for the last 10 years of 18,500,000 pounds. The ports to which the largest quantities of desiccated nut were shipped during the year were Antwerp, Hamburg, Odessa, and Copenhagen. The countries which have imported largely and have, in fact, substantially increased their demand are Great Britain, France, and Germany. Trial shipments were made to the Netherlands during last year.

RUBBER SHIPMENTS.

The position of rubber is the most pleasing feature of Ceylon's prosperity. The exports of this product increased 935 tons compared with 1909. The United States took the largest quantity, exceeding 1909 purchases by 566 tons. There was a drop in the prices of plantation rubber in 1910 from 12 rupees ($3.89) to 6 rupees ($1.95) per pound, but the prices during the early part of 1910 were inflated.

It is estimated that at the close of 1910 there were in Ceylon 185,000 planted acres of rubber and 12,000 bearing acres of rubber. A local writer has estimated that 220,000 acres will be the maximum area planted with rubber in the island, and that, with 140 trees to the acre average, and 1½ pounds yield per tree per annum, this will give an export of about 20,000 long tons by 1920.

TRADE IN PLUMBAGO, CINNAMON AND COCOA.

The exports of plumbago, of which Ceylon is the world's chief producer, increased from 627,737 hundredweight in 1909 to 630,569 hundredweight in 1910. The United States was again the largest consumer, taking 28,814 hundredweight more than in 1909, and shipments to Germany increased by 5,323 hundredweight, and to Belgium by 9,271 hundredweight, as compared with the previous year.

There was a slight falling off in the export of cinnamon quills during 1910, viz. 3,283,202 pounds against 3,509,506 pounds in 1909. In chips, however, the shipments amounted to 3,022,858 pounds against 2,941,578 pounds for the previous year. The largest importing country was Germany, with the United States, Spain and the United Kingdom next in order.

Shipments of cocoa (or cacao) showed a decline of practically 10,000 hundredweight compared with the previous year's figures. The United States and France, however, took larger supplies than they did in 1909.

SHIPMENTS OF CARDAMOMS, CITRONILLA, AND COFFEE—MINERALS.

There was a falling off of 185,001 pounds in the total exports of cardamoms as compared with 1909, and the decline in shipments is apparent to all countries, with the exception of India, which took some 50,000 pounds more than in the previous year.

The exports of citronella for 1910 showed a material increase of nearly 200,000 pounds, as compared with 1909, which was fairly distributed over the principal countries using it. The United Kingdom took 857,035 pounds, while the United States, Germany, and Australia followed next in order, the United States taking 522,570 pounds.

There are but 875 acres of coffee planted in Ceylon, the Arabian and Liberian. Last year's export of both kinds did not exceed 1,400 hundredweight.

The only mineral at present being worked in any quantities is plumbago. The gems of Ceylon include the ruby, sapphire, amethyst, topaz, star ruby, star sapphire, tourmaline, cat's-eye, alexandrite, zircon, moonstone, garnet, beryl, iolite, and andalusite. The island has long been famous for the abundance and beauty of its precious stones, but it is not possible even approximately to estimate the value of the annual yield of gems.

IMPORTS FROM THE UNITED STATES.

The following table shows the increase in the imports of American goods into Ceylon since 1907. These figures, however, represent only a part of the value of goods of American origin imported, because a considerable quantity of goods of American production is annually sold to Ceylon purchasers by British or other European concerns, which ship them to Ceylon from Europe, and goods thus imported are credited to the countries from which the final shipment is made:

ARTICLES	1907	1910
Boots and shoes	$55	$551
Chemists' sundries	13,730	14,068
Clocks	6,098	11,841
Cotton goods	29,156	65,131
Electric materials	2,176	1,835
Fancy articles	1,711	1,374
Fruit, preserved	5,070	4,645
Furniture	1,084	1,749
Haberdashery	15	254
Hardware	11,011	31,955
Kerosene	135,107	218,598
Lamps	1,711	2,938
Leather	529	560
Lubricating oil	21,000	22,187
Machinery	451	14,949
Musical instruments	1,875	6,189
Oilcloth	70	1,227
Paints and oils	620	3,623
Paper	156	3,138
Provisions	8,324	15,194
Sewing Machines	1,342	5,488
Tobacco	21,333	16,907
Toilet Soap	1,306	1,974
All other articles	24,705	49,040
Total	$288,580	$494,365

It will be seen that American imports to Ceylon are constantly increasing. This is due solely to the fact that the local market has of late years been thoroughly exploited by American commercial travelers, whose visits are becoming more and more frequent, and as a consequence the requirements of the Ceylonese trade have been carefully studied by the American manufacturers. The trade in American cotton goods is making a healthy growth and the sale of hardware, drugs, clocks, machinery, typewriters, furniture, provisions, etc., is increasing. American motor cars are gaining a foothold in the island and 1911 statistics should show that considerable business can be done also in this class of American manufacturers.

The trade in American goods has not been built up through catalogues, but through samples of quality in the hands of intelligent and energetic Americans, and I have yet to meet a drummer who will express himself as dissatisfied with his visit to this colony.

DECLARED EXPORTS TO UNITED STATES.

The value of the exports as invoiced through the American consulate at Colombo, Ceylon, to the United States during 1910 was $9,094,766, a gain of $2,705,114 compared with the previous year. The following table shows the articles and their value for the two years:

The shipments from Ceylon to the Philippine Islands during 1910 were valued at $55,792, and consisted principally of cocoa ($45,431) and tea ($8,330). The exports to Hawaii amounted to $4,946, and consisted of tea.

MARKET FOR COTTON GOODS IN ASIA MINOR.

(From Vice Consul Lucien Memminger, Smyrna.)

American manufactures of cotton textiles have now an especially favorable opportunity to regain the trade here which they have lost in recent years. The Smyrna market is important, as the buyers here supply a large population in the interior of Asia Minor and in the islands of the Grecian Archipelago.

Fifteen years ago only the American Cabot A was selling in this market. Since then many European manufacturers have started to sell an imitation here, and to-day 50 per cent of the total amount of Cabot imported comes from Italy, 20 per cent from Austria and Spain, 10 per cent from Holland and Belgium, 10 per cent from Manchester, and 10 per cent from the United States. Ninety per cent of all the European Cabots on sale here are marked with the word "Cabot," and some of them even with the words "American Cabot," although the cloth thus marked was not manufactured in the United States.

The following American cotton goods are imported into Smyrna: Cabot A, Ramapa C. C. C., Great Falls E., Lyman Mills goods (drills), cotton ducks of 8, 10, 12, and 15 ounces, Nashua flannelettes, Lanett H., Columbus L. L., and other new American brands which are just beginning to be introduced. Two years ago the importation from America of light sheetings, such as 4 and 4.5 yards per pound, was begun, because the price of the 3-yards sheeting with Cabot A, etc., was high. The general opinion of the market is that the 4-yards American sheeting will have a very good sale, because the quality is suitable for this market.

Some orders for American cotton prints have recently been placed for the first time. For these goods buyers are very particular as regards designs, colors, and finishes. They desire dark grounds with large designs of flowers and fruits in bright colors. The season for orders is from October to December, and goods must be here between the middle of February and the end of March.

Cotton prints have been obtained principally from Manchester, which supplies 80 per cent of the total. The balance comes from Spain, Italy, Austria, and Germany. The only cotton prints with which American manufacturers could compete are those which come from Manchester. These goods run from 29 to 31 inches in width, and in pieces of 50 yeards and upward. They are packed in bales of 100 to 150 pieces, to save freight expenses and packages.

In flannelette prints Italy leads, with Germany second. Italy practically controls the trade, because the goods are of a cheap quality and the manufacturers are complying with the specifications of the buyers and are selling the goods with nine months' credit.

Smyrna is an important market for cotton prints, the consumption amounting, according to information obtained from importers, to about $5,000,000 annually. The large houses of Smyrna have purchasing agents in Manchester, who negotiate directly with the factories, in some instances buying the thread at one factory, having it made into cloth at another, and printed at still another. The goods are thus often obtained at a most favorable price. Payments for Manchester cotton prints are on a cash basis, though the Calico Manufacturers' Association often sends goods, payment after delivery of the same.

It is very likely that any large American manufacturer of prints could obtain a share of this trade if he so desired and would comply with the market's requirements, especially now that freight rates from the United States to Smyrna are cheaper than from England to Smyrna (Austro-Americana via Trieste, or Greek lines via Piræus).

American printed drills may have a fair consumption in this market. In 1910 seven bales of remnants were shipped to this port and were sold at once, and many buyers are to-day anxious for more, but can not find any.

Merchants in Smyrna buy all their goods with a credit of three to nine months, and if American manufacturers would accept these terms, or at least payment against documents with 10 days' sight draft, there is no doubt that business would greatly increase. There are many substantial houses in Smyrna handling cotton goods which have been established for 25 or 30 years and have a good capital.

The following statistics showing the imports of cotton goods from the United States to Smyrna and the islands of Mytilene, Chios, and Samos in 1910 are approximately correct: Sheeting (3 yards), 700,000 yards; sheeting (4 yards), 150,000 yards; drills (2.85 yards grade), 120,000 yards; flannelette, 40,000 yards; colored drills, 160,000 yards; cotton duck, 480,000 yards; total 1,650,000 yards.

The importations from the United States have been steadily decreasing. A dealer who until two years ago imported 70 to 80 bales a year of 3-yards sheetings only imported 40 to 50 bales during 1910. Another dealer, who imported 150 bales of Cabot A in 1905, now imports only 45 bales. This decrease is believed to be due to the credit facilities offered by European manufacturers and the fact that they are selling imitation qualities of Cabots under a similar name. (A list of names of the leading importers of cotton goods in Smyrna was forwarded with this report, and will be loaned by the Bureau of Manufactures.)

COTTON GOODS PURCHASES OF SOUTHERN PERSIA.

(From report of British Consul at Bushire.)

The importation of cotton goods into southern Persia in the fiscal year 1910-11 totaled $1,497,000 in value, of which $1,183,000 represented exports from Manchester and the balance mostly from Bombay.

Dubahrs in which there was in 1906 and 1907 a large trade, are in demand less and less each year. Their place in the taste of the countryside has been taken to an extent by crimps (for women's clothing) and by black and white ground prints (*Hakisteri*, imitation Russian prints) for the clothing of tribesmen.

Hakisteri prints are also taking the place of *lamsa* prints for the inner coats of the better-class Persians; each year sees a declining purchase of *lamsas* and the demand in Shiraz has fallen a great deal. Whereas they stood in Bushire at 38 krans (say $3.12) per piece six years ago, they are now sold at only 31 to 33 krans ($2.84 to $3.06). Similarly, *asteri* prints for linings and discharge prints for the tribes have ceased to catch the taste; blue and white *dubahrs* are, however, now turned out as cambrics and considerably worn.

As regards other white fabrics, the market was fair for white shirtings throughout the period and improved still further after the end of it, prices rising to 42 krans (3.85) per piece. White mulls also found a better sale than in 1909, for reasons given above. White shirtings dyed in Bombay (known as *kasawari*) and formerly used for trouserings by the tribesmen of the south have given place to dyed nainsooks (22 yards), known as *piranshahi siah*.

Cambrics are much less used, as a large class is taking to wearing coatings buttoning up at the neck. The price for gauze has fallen, owing to large stocks, and in both these and muslin there is considerable competition from Bombay, purchases being more often than not effected through that market.

There was a great demand for all twills during the latter part of the year, which were selling locally at very profitable prices, as much as 4s. ($0.97) per piece being realized inland. Red twills were in more demand than purple, the consumption of which is confined to Bushire and Shiraz districts. Black twills now have a soft finish for the southern market; they are also in use among the tribes as trouserings.

Turkey-red flowered prints are used principally in the district of the Gulf ports; they are often dyed locally purple color. The "3-flower" and "7-flower" brands are typical of this demand.

Prices in Bushire gradually advanced during the year owing to shortage of stocks, and still more so after the end of March, 1911.

DEPRESSED TRADE IN SOUTH CHINA.

(*From Consul General George E. Anderson, Hongkong.*)

The Chinese revolution ended any chance for recovery in the country's foreign trade in 1911 over 1910, but trade conditions in most lines independent of the revolution were so depressed that the situation was somewhat a cause rather than a result of the political movement.

In South China there has been unrest for several years, which has interfered with business. Nevertheless exports continued to increase. During this season, however, there has been some increase in imports of various necessities, particularly flour and rice, and a decrease in exports, which

has weakened rather than increased the buying power of the people. For example, though the imports of flour into Hongkong for South China have been the largest in the history of the trade, except perhaps in the famine year of 1907 and in 1903, the declared exports from Hongkong to the United States (contiguous territory) for the first nine months of 1911 amounted to only $2,888,888 gold in value, a decrease of $420,795 from the same period of 1910. On the face of the returns the declared exports from Hongkong to the Philippines have increased from $3,416,987 in 1910 to $3,831,563 in the 1911 period, but they included Indo-China and Siamese rice worth $1,089,858 in the 1910 and $1,740,769 in the 1911 period. In articles of South China production, therefore, the trade has decreased over $240,000. This decrease has occurred in spite of a strong demand from abroad for many staple lines of South China production.

Perhaps the most significant fact is that many business houses concerned believe that material or lasting improvement is not probable until Chinese production and transportation improve. The Chinese Customs Commissioner at Canton in his annual report for last year, in discussing the foreign import trade and the production of Chinese goods for export, practically all of which trade is with and through Hongkong, says:

It has, to some extent, become a local belief that the trade of Canton has reached its zenith under present conditions of production and transport, and that further development will depend on whether improvements are made in the methods of production and on the producing capacity of the districts that will be tapped by the Canton-Hankow Railway. Until the question of likin is disposed of in a way that will not penalize the carriage of goods by rail it is certain that commerce can not derive any appreciable benefit from railway extension.

Inasmuch as it will take probably several years for the Canton-Hankow Railway to develop its traffic and as further extensions, until they reach the interior in the vicinity of Changsha, merely penetrate mountain country which is thinly settled and of slight promise from any standpoint, the immediate prospect is not particularly promising. Hongkong business men generally are inclined to take a pessimistic view of the situation both as to present trade and early future prospects.

CHINESE RAILWAY PROJECT.

[*From Consul General George E. Anderson, Hongkong.*]

At the instance of the consulate general in Hongkong, several American manufacturers of railway material have sent a representative to Mengtze and Yunnanfu (both cities in the Province of Yunnan), and two important locomotive companies also have men on the ground, in connection with the contract to construct the proposed line from Yunnanfu to Lanchowfu, on the Yangtse River, in the Province of Szechwan. The matter of freight rates, however, over the French railway from Haifong, in French Indo-China, to Yunnanfu, is of such controlling importance that the projectors of the line are seriously considering the construction of a line from Yunnanfu to Nanning (on the Yoo River in the Province of Quang Se), as a means of avoiding these excessive charges, as well as opening up the Province of Yunnan and West China by the new route. This road would give communication by rail and water with Hongkong and Canton.

This enterprise is not exactly an alternative of the construction of what is known as the Szechwan Railway, but it seems to be generally understood that the construction of the railway to Nanning will postpone the construction of the line from Yannanfu to the Yangtze. The survey work of the line to Nanning is now (November, 1911) being rapidly completed and the immediate construction of either the Szechwan Railway or the line to Nanning seems to depend entirely upon the early settlement of political disturbances in China generally. The detailed survey of the line from Yunnanfu to Lanchowfu, under the direction of two American engineers, is also rapidly nearing completion, the preliminary work already having been disposed of.

TRADE ROUTES INTO YUNNAN.

Hongkong importers who expected a revolution in the trade of Yunnan and Kwangsi Provinces in South China as a result of the operation of the railway from Haifong to Yunnanfu, have come to the conclusion that under present conditions much of the expected expansion will prove impossible. There has been a considerable increase in some lines of trade into and from these Provinces, but the increase has been due, to some extent at least, to generally improved conditions and mining and other internal development in the Provinces, and in spite of drawbacks due to railway conditions. The usual direct results of railway service have been minimized by interrupted service, troublesome customs and other charges, and particularly by high freight rates.

In spite of the opening of the railway, goods are still imported into Yunnan, Kweichow and West China by rail through Burma, thence by pack train to Bhamo and on to Tengyueh, and to Batang, about 400 miles north, or to Talifu, and even to Yunnanfu, whence the goods are distributed all over that part of the country, as they have been since the beginning of the trade. These costly means and tedious routes are used in spite of what would seem to be the manifest advantages of the rail route to Yunnanfu or to intermediate points and thence by the natural caravan routes to various points in the Province and West China.

The expected change in the direction of these imports has so far not been realized, and present indications are that the railway transportation charges over the line to Yunnanfu will have to be modified before any change can be reasonably expected. These charges bear with particular weight upon all great undertakings for the development of the country like railways, mining enterprises, factories, and, in short, all enterprises which require heavy machinery and a reasonable rate for the transportation of supplies or output.

INTERRUPTED RAILWAY SERVICE—HIGH FREIGHT RATES

The construction of the line into Yunnan has been too light for the nature of the country, the result being that

the operation of the line has been interrupted between French territory and Yunnanfu for the greater portion of the time. Rainfall in some portions of the territory traversed is particularly heavy and the grades have been established largely by the use of a peculiarly light decomposed granite which has readily been swept away by floods. It has become evident that considerable work in reconstruction will have to be done before regular and uninterrupted service on the railway can be relied upon. This, of course, has had considerable effect in restricting the use of the railway and in retarding the development of the country.

The chief cause for the latter, however, is in railway rates. These rates are upon five classes of freight and are assessed upon the basis of five zones between the seaboard at Haifong and Yunnanfu. The rates are based upon considerations of comparative value and comparative bulk of goods as well as weight, and in general follow similar classifications in France. They vary from 11 to 26 cents local currency (4.73 cents to 11.18 cents gold at present exchange) per metric ton (2,204 pounds) per kilometer (0.62 mile) for the higher class of goods to 4 to 10 cents local currency (1.72 to 4.3 cents gold) per metric ton per kilometer for the lowest class of goods. To the present rates a surtax of 10 per cent. is now added on the ground that exchange is low, but this surtax will be removed when the local dollar will equal 50 cents gold. On the basis of the rates fixed in the regular tariff the charges on the different sections for the several classes of goods amount to the following in gold dollars per metric ton:

Sections	Distance	Class 1	Class 2	Class 3	Class 4	Class 5
	Miles					
Haifong to Yenbay	104	$11.73	$9.60	$9.60	$5.33	$4.26
Yenbay to Lao-kai	87	7.28	5.92	4.58	3.64	2.73
Lao-kai to Mengtze	111	19.90	16.07	12.25	9.95	7.65
Mengtze to Annchou	27	2.40	1.95	1.48	1.20	.93
Annchou to Yunnanfu	152	13.65	11.02	8.40	6.82	5.25
	481	54.96	44.56	36.31	26.94	20.82
Surtax	.....	5.50	4.45	3.63	2.69	2.08
Total	.....	60.46	49.01	39.94	29.63	22.90

EXTRA FEES.

The rates on various classes of goods from Haifong to Yunnanfu, therefore, a haul of 481 miles, range from about $23 gold to over $60 gold per metric ton. To the rate of $23 to $60 per ton from Haifong to Yunnanfu, the railway company adds a charge of about $3 local currency, or $1.30 gold, as a "customs" charge, which seems to be designed to cover the clerical expenses of clearing goods through the Indo-China and the Chinese customs. This charge has, however, no actual connection with the customs duties, and is independent of the duties levied either in China, where 70 per cent. of the usual Chinese customs duty is collected, or in Indo-China, where 20 per cent. of the full import duty on goods from abroad is collected as a transit tax on goods thus entering China. The freight rates above given are modified somewhat by rates for carload lots, but are increased for goods of a dangerous nature, considerable quantities of which are used in railway construction and mining enterprises.

In addition to freight on the long ocean haul from the United States to Haifong, the freight on rails from Haifong to where they are needed is about 150 per cent. of the actual price of the rails in the United States.

THE PHILIPPINES WITH RELATION TO THE FUTURE COMMERCE OF THE UNITED STATES.

The United States is an enormous consumer of tropical and sub-tropical products. No class of commodities has enjoyed the popularity and experienced so great an increased use among the people of the United States as those grown in tropical countries. But there are no countries with which its commerce is so unequal—so unfavorable to it in the matter of interchange of trade, as those from which these products are obtained. A partial list of imports of this nature for the fiscal year 1910, taken from reports of the Bureau of Statistics, Washington, will convey some idea of their importance as a factor in the import commerce of the United States:

Product	Amount	Value
Cocoa	108,000,000 lbs.	$ 11,376,961
Coffee	871,000,000 lbs.	69,194,353
Fibers	305,000 tons	32,418,839
Manufacturers of Fibers	.....	57,624,245
Fruits and Nuts	.....	37,423,837
Goat Skins	115,000,000	30,837,590
Gums of various kinds	.....	13,504,125
Rubber	138,000,000 lbs.	106,861,496
Matting	.....	2,424,759
Cocoanut Oil	.....	3,341,409
Other Nut Oils	.....	2,440,010
Palm Oil	.....	5,590,535
Raw Silk	.....	65,424,784
Spices	37,000,000 lbs.	2,762,947
Sugar	4,000,000,000 lbs.	106,349,005
Tea	85,000,000 lbs.	13,671,936
Leaf Tobocco	46,000,000 lbs.	27,751,279
Manufactured Tobacco	.....	4,082,582
Cabinet Woods and Mahogany	.....	4,652,740
Total		$597,732,582

Miscellaneous articles that belong to this table, but are not enumerated, will swell the total to in excess of six hundred million dollars.

One cannot but be impressed by the virtual necessity, under the standard of living that now obtains in the United States, of practically all articles named above. And so essential are these things considered, and to such small extent is the United States able to produce them, that out of the entire list of 19 classes of commodities enumerated, comprising nearly 40 per cent. of the total imports for the year, there are but two on which a duty is levied in the United States. The other seventeen enter free of duty no matter from what quarter they may come.

If the United States were selling to those countries from which this tremendous flood of importations is pouring in each year, a proportionate amount of its own products, the commerce would stand on a satisfactory basis and there would be no occasion for concern.

But it is not selling them more than half as much as it buys from them and, unless conditions undergo a radical change, it never will.

To the casual observer unacquainted with the actual figures and existing conditions, it would seem that the United States should supply to tropical and semi-tropical people a large share of their needs. The imports of such countries are made up for the most part of three principal groups of commidities, viz: Cotton goods, iron and steel manufactures and foodstuffs. Cottons comprise approximately 30 per cent. of the whole, while iron and steel manufacturers and foodstuffs in varying proportion, amount to nearly 50 per cent.

With the superior advantages enjoyed by the United States in the production of such articles, it should be able to rival Germany and Great Britain, which are the most powerful competitors of the world's commerce. But though sentiment and points of proximity and mutual interest may be favorable, it is not able to secure even a reasonable minor share of the trade in lines that it should, under ordinary rules, control. However, the explanatiion of this is not difficult. For years the American manufacturer has been so entirely occupied with the work of supplying the home market which, on account of being highly protected, is vastly more profitable than the foreign, that he has lacked the time, if not the inclination, to cultivate the markets of other countries. The United States has been developing with such wonderful rapidity that the energy of its business elements has been taxed to the limits of their capacity in providing the requirements of the home field, and only during periods of financial or economic depression has serious thought been given to the export trade.

But, beyond this, the protective system of the United States, with its constant tendency to increase the cost of production of manufactured articles, through the necessity of wage scales in keeping with a relatively high cost of living, renders difficult, when not imposible, competition with European nations where labor is cheaper, the standard of living lower and the home market of correspondingly less value to the manufacturer. This condition makes an export market of relatively greater importance to the European than to the American manufacturer and competition for such trade—which has developed principally in tropical and sub-tropical countries—has waxed very keen, especially between Great Britain and Germany. Belgium, France, Switzerland, Austria and Italy are able to compete in specialized articles on a satisfactory basis and the United States produces certain manufactured articles, including agricultural implements, sewing machines, typewriters, cash registers, mining and electrical machinery, etc., in which American mechanical and inventive genius enters to an extent that places them beyond the reach of competition in international markets. But in the commodities that make up the great bulk of the world's commerce, the United States is easily distanced by Germany and Great Britain.

There are, of course, other factors that enter into the proposition and conduce to European supremacy in the trade of those countries whose own export trade is so largely with the United States. The European manufacturer has made a careful study of the markets of the world and has conformed to the requirements of those markets in every particular. The tastes of the people, their methods of doing business, details of packing where climate requires other than the ordinary package or transportation facilities make it necessary, the current fiscal system, language and every other point that might have a bearing or influence on trade is taken into account. On the other hand, the American manufacturer follows an inflexible rule in matters of credits, packing and shipping with the result that he does not always hold business when he gets it, even though his goods may be preferred, which they often are.

Thus the United States is buying annually upwards of six hundred million dollars worth of the products of countries that buy only to the value of half, or less than half, that amount of American products in return; and this unfavorable trade balance of three hundred million dollars or more which accumulates with the passing of each year, has to be made up by the sale to Great Britain, France, Germany and other populous countries of the world, where industrial operations are carried on more cheaply than in the United States, of raw products and food stuffs, or other commodities into which the element of labor has entered to but a small degree.

Thus American cotton goes to British and European mills and American flour and meat help to feed the operatives of those mills, while the finished products of the same mills and factories are sold in part in the countries from which the United States obtains its tropical commodities, so that its money passes through the hands of workers in two countries, leaving a profit in each, before the remainder gets back to its original source.

Such a condition, existing in the twentieth century and among the enlightened race, constitutes a paradox in economics and is a serious reflectioin on the intelligence and ability of the American people for, although in years past it might not have been possible to avoid this enormous drain, today the United States has the opportunity and the means to eliminate the unfavorable features of this commerce and to produce in its own territory those things that are now being brought from foreign countries at such tremendous cost.

In order to emphasize this point there are given below some examples of the commerce of the United States with the countries contributing the greater part of the articles on the list of imports already shown:

Fiscal Year, 1910.

COMMERCE OF THE U. S. WITH	IMPORTS FROM	EXPORTS TO	BALANCE AGAINST U. S.
Brazil	$108,154,491	$ 22,897,890	$ 85,256.601
Cuba	122,528,037	52,858,758	69,669,279
British East Indies	70,748,613	9,495,016	61,253,597
Japan	66,398,661	21,959,310	44,439,451
China	31,297,928	16,970,453	14,327,475
Total	$399,127,830	$124,181,427	$274,946,403

There is available evidence in abundance—evidence that is proof absolute—to show that this stupendous outlay is unnecessary, that it can be checked, that it is due to ignorance on the part of the American people and that to permit it to continue is tantamount to trading on obligations to posterity.

The problem involved in changing the sources of supply of six hundred million dollars worth of products to where a compensating trade in American goods may be gained, although a tremendous one, is not impossible of solution and the opportunity has for more than a decade past been waiting at the hand of the legislator and business man of the United States.

The Philippine Islands were acquired in 1898 and Civil Government, through the Philippines Commission of which President Taft was the first head, was inauguarted in 1901. For an entire decade Congress through its civil representatives has exercised absolute control over the affairs of the archipelago, and is not indulging in hyperbole to say that the achievement marking these ten years of rule have been little short of marvelous. The internal improvements that have been effected and the improvement that has taken place in the condition of the country and the people seem well nigh incredible when comparison is made with the state of affairs that existed ten years ago.

The building of roads and bridges in all sections of the islands and of raildoads on some of the principal ones has facilitated the marketing of products and stimulated a general interchange of commerce and communication among the people, thus tending to weld the many diversified tribes into a more homogeneous whole.

Facilities for inter-island transportation have been provided where before none existed and the system that already existed has been immeasurably improved, while coasts and waterways have been charted and the whole safeguarded by a chain of lights that mark the rocks and shoals and guide the mariners safely through storms and the vigils of the night.

Harbors have been dredged and protected and docks built at the principal ports for the benefit and security of commerce by sea.

Public buildings of a permanent character have been erected in nearly every provincial center and in many other of the important municipalities as well.

Labor has been assisted and protected and a system of virtual peonage that had existed from time immemorial has been eradicated with the result that the laborer now is better paid and is free to seek and accept employment wherever he will. He is at liberty to sell his product in the best market that offers and there is a more general and more equitable division of the country's wealth among those who produce it. The Filipino today enjoys a measure of practical self-government far beyond anything he even aspired to under the dominion of Spain.

A comprehensive system of education has been instituted and carried out and is continually being extended, that is affording to a large proportion of the people full opportunity to equip themselves for the battle of life by exercising their abilities and developing their capacities, while upon the rising generation it has conferred the great boon of a common language. And the theoretical is supplemented by a thorough course of manual training that is inculcating in the mind of the youth an understanding of the value and necessity of honest labor, and respect for the dignity that attaches to it.

Provision has been made for occupation of the rich public lands by offering to every citizen a homestead without cost, and the people are invited and urged to take advantage of this opportunity to provide themselves with a competence thus put within their reach, that will make them as individuals economically independent.

A strong and permanent fiscal system based on the gold standard has been inaugurated and maintained to the great benefit of the islands and their commerce, supplanting, as it did, the unstable and fluctuating silver currency of former times and contributing in no small degree to a marked increase of confidence in the future of industry and commerce in the country.

Insular finances have been put on a solid, substantial basis; taxes are quite moderate, being but one and one-half per cent. on the assessed value of real estate in Manila and seven-eights of one per cent. in all provinces outside the capital, while there is no tax on personal property. Expenditures have been kept within receipts; the credit of the islands is first class and they cost the Washington Government not one penny beyond the increased expense of maintaining United States troops stationed here above what their maintenance would cost at home and the cost of fortifications that are to serve as a means of permanent defense.

An efficient body of insular military police, known as the Philippines Constabulary, officered in part by officers of the United States regular Army, performs its functions in an admirable manner, affording security to person and property and proving wholly effective in maintaining law and order throughout the provinces.

The Judiciary of the islands has been organized on a splendid working basis and includes in its personnel a considerable contingent of Americans as well as some of the best legal and judicial minds to be found among the Filipinos. It commands the unqualified respect and confidence of all classes and is the bulwark of the local government. This branch of the government is impressing on the minds of the people a wholesome regard for the law and for the rights of property and the individual.

Splendid work has been done toward improving sanitary conditions throughout the islands, with the result that the dread scourges, smallpox, bubonic plague and cholera have been practically eliminated or brought under safe control and the people are gradually learning of the value of hygiene to the preservation of life and to the correction of social evils.

The past year has witnessed the completion in Manila of one of the finest hospitals in the world; of an elaborate, modern sewerage system and the making over of the water system which has been greatly extended and enlarged, the source of supply now being in the mountains in a watershed more than thirty miles distant from the city. Manila today ranks among the healthiest cities in the world.

This is, in part, what has been accomplished under American government in the Philippines and it constitutes a record of achievement that challenges the admiration of the world. The people of the United States may justly be proud of it all, for it is no small thing to have effected in ten short years the regeneration of eight millions of an alien race to whose customs and language we came entire strangers.

But while the government within the islands has done and is doing so much for the uplift of the Filipino people and internal progress generally, the Government and people of the United States are neglecting one of the most wonderful opportunities, if not the greatest, that has ever been offered to any nation in the history of the world.

Fix in your mind a picture of the Pacific Ocean! On the east you have the long coast line of the mainland with the ports of San Diego and Los Angeles at the lower end, San Francisco in the center, and Portland and the Puget Sound cities near the northern border; farther north the line is taken up by Alaska, which extends to the regions of the pole, nearly touching, at points, the Siberian coast, while the Aleutian Islands stretch out a chain across the northern sea that reaches close to the peninsula of Kamchatka. Down toward South America is the zone through which the great canal is rapidly being cut, and the fact that preparations for its fortification are already under way is sufficient notice to the world that the United States intends to dominate it completely. Two thousand miles off the coast and in a position that makes them a shield to the mainland, are the Hawaiian Islands, well named the crossroads of the Pacific, containing the splendid Pearl Harbor which the United States is converting into one of the strongest naval stations on the face of the globe. Among the South Sea Islands, east of Australia and northeast of New Zealand on a line with Hawaii, the United States has a naval base in Samoa. At the south west, lying in between the China Sea and the Pacific Ocean, extending from the Japanese Island of Formosa and the coast of China south to Borneo and the Dutch Celebes, in a position commanding completely the paths of commerce between Europe and the Far East on one hand, and Australia and the Far East on the other are the Philippines, completing, as it were, a circle around the vast Pacific Ocean, the theatre of the next great de-

velopment of the commerce of the world and the principal scene of the future activities of mankind. But it is the material value of these islands rather than their stratgetic importance that it is my desire to discuss here.

I have quoted a list of the commodities imported by the United States in 1910, that comprises the bulk of the articles purchased from tropical and sub-tropical countries. You have seen by figures from an authoritative source that in its commerce with countries supplying the annual requirements of such products, which now amount in value to six hundred million dollars or more and is rapidly increasing, the United States suffers a loss of at least half that figure. The nation is thus under a drain of three hundred million dollars each year, through having to buy these products from countries whose trade it cannot control or gain any advantage whatever in, although it is their best customer. It is obvious that if the United States were producing these things in its own territory such a balance could not exist against it, for there would be available a compensating trade subject to its control. It would then be in a position to effect an exchange of its manufactures and temperate zone foodstuffs for the tropical products required by its people.

In the list comprising nineteen of the more important tropical and sub-tropical commodities imported that last year reached a total value of five hundred and ninety-seven million dollars, there are none that the Philippines are not adapted to produce in quantities sufficient to meet the demands of the United States and, too, without having to employ hot-house methods in their production.

If it can be demonstrated that this is a fact and not merely idle assertion, it surely would seem the part of wisdom for the Government at Washington to use every legitimate means to stimulate and assist industry here in order that the resources of the islands may be developed and their potential wealth made real. But what is the condition today? Of those nineteen groups or classes of articles numerated, there are but two on which a duty is levied in the United States. Thus the Philippine Islands realize no benefit whatever with respect to them by reason of having free access to United States markets except in the case of sugar and tobacco, and in these there is an unnecessary limitation on the quantity that may enter in any one year without payment of duty.

The element now lacking that is essential to material and large development here is capital. We have the land, the labor and the climate, but the masses are devoid of initiative and we are deficient in the means with which to carry large enterprise into effect. Furnished the capital necessary to development and the islands' production of marketable commodities would increase by leaps and bounds.

If there were a duty in the United States on the various articles I have mentioned, which are now required there for consumption in such enormous quantities, a special incentive would be furnished for their production in the Philippines, as, having free access to the markets there, these islands would offer a more favorable field for their production than an yother country not having similar trade relations. Capital—especially American capital—would thus be diverted from other fields and attracted toward us, for it would be more profitable to grow rubber, and coffee, and cacao, and silk, and spices, and all the rest of the articles on the list, in the Philippines than in other countries.

In order to illustrate this point more clearly we can use rubber as an example. At the present time there is a tremendous amount of American capital invested in the rubber industry in Brazil, Mexico, various parts of Africa and Straits Settlements. The great increase in the world's demand for rubber, occassioned largely by the sudden development of the automobile industry, naturally tended to strengthen the price and make rubber growing extremely attractive to capital. And the United States has developed into the greatest consumer of rubber among the nations.

Now, there is no country better adapted than the Philippines to the growth of the rubber tree. It has been demonstrated that nearly any variety will flourish in the various islands of the archipelago. But there being no duty in the United States on crude rubber there is no special advantage to be gained by engaging in the industry in these islands beyond what there would be in other rubber producing countries where soil and climatic conditions are similar. In fact other countries have an advantage over us in the prestige of longer experience and thus are better known to capital seeking investment in the rubber growing industry.

But were the United States to put a duty on rubber (it need not be a large duty either, in order to accomplish the end) it would result in the Philippines immediately becoming a much more desirable field for exploitation of the rubberindustry than any other section in the world. The practical effect of such a duty, so far as the United States is concerned, would be to slightly increase the cost of its rubber over the world's price, but by stimulating the industry in the Philippines to the point where these islands would supply the rubber it uses, it would create a new market for its own products and manufactures that would equal in amount the full value of its rubber imports. When consideration is taken of the fact that such importations amounted last year to over one hundred and six million dollars and that at the present rate of increase the country will require double that amount in a few years' time, the magnitude of such an accomplishment becomes apparent. The proposition is entirely simple and applies with equal force to every one of the nineteen articles enumerated in the list.

The statements may be counted absolute facts: The Philippines will consume of imported commodities what they are able to pay for. Their purchasing capacity will always be measured by their productioin of export commodities. There is nothing that they produce or are adapted to produce that the United States is not at present under the necessity of buying from foreign countries whose import trade it does not and never will control. Thus it cannot hope for advantages in other fields yielding tropical products that it already possesses in these islands.

It is normally with the province and easily within the power of the United States to develop the natural resources of the Philippines; to quicken industry, to stimulate productive activity and to assure to capital and properly directed effort actual, tangible results. For the United States Government to do this is no less a duty owing to American posterity than it is to the eight million people whose destiny is bound up with its own and who are politically and economically dependent upon it.

It is full time that the Government and the people of the United States realized their responsibilities toward the Philippine Islands and awakened to the opportunities that await them here.

That the reader may better understand the immediate value of the Philippines both as a market and source of supply for the United States the very pertinent example of Porto Rico will be cited.

The island of Porto Rico, lying but a short distance south of the mainland of the United States, was acquired at the same time as the Philippines. But as early as 1901 legislation was enacted by Congress establishing definitely and permanently its relation to the home country, and commerce between the island and the mainland was freed of any restriction or encumbrance whatsoever. The effect of this new condition was immediate. Industries were established or rehabilitated; remunerative returns were awarded to labor, and capital was offered the inducement of a profitable market for the products of industry that it would create or develop, with the result that money began to flow freely into the island. Production increased and with it came in corresponding measure an increase in the requirements of the people. For the year ended June 30, 1901, the external commerce of Porto Rico amounted to $17,950,197. For the calendar year 1906 it had grown to $50,166,676. For the fiscal year 1910 it amounted to $68,553,745.

This industrial awakening is on all sides plainly in evidence. Among the masses of the population many before went naked; now they are clothed; those who before were clothed now are better clothed. All have better food and where before rice composed almost the sole diet of the proletariat the population is now able to afford a wholesome variety. There was imported in 1910 over two and a quarter million dollars' worth of breadstuffs from the United States alone, composed principally of wheat flour, and nearly three million dollars' worth of meat and dairy products, besides a large quantity of miscellaneous foodstuffs.. And the United States is profited by this development as much or more than Porto Rico, for not only do American manufacturers and producers gain directly by the increased commerce, but American capital is receiving the cream of the profits of new industries and of old ones extended and enlarged. It is, in fact, an addition to the home market to the extent of twenty-six million dollars a year, for that is the amount of the actual increase provided for the United States export trade. And at the same time the United States is not spending a single dollar for Porto Rican products that it would not have to pay to a foreign country for the same products were they not available in Porto Rico, in which case it would receive no returning trade to compensate.

Porto Rico is a small island and quite densely populated. It has an area of 3,435 square miles and boasts approximately one million inhabitants. Its soil, climate and population represent its resources. It has practically no wealth of mine or of forest, and sugar, coffee, tobacco and a few fruits comprise its export crops. Sugar is the most important of these and contributes two-thirds of the total; but so large a percentage of the sugar land area is already under cultivation that future development will necessarily be in the minor pursuits and industries.

This sketch of conditions in Porto Rico and of the experience there since that island became a part of the United States is introductory to the largest proposition of the Philippines. As against Porto Rico's population of one million these islands possess eight millions. Hence on the basis of comparative population alone we should be able to produce within a very few years eight times as much as Porto Rico, in which event the external commerce of the Philippines would amount to five hundred and fifty million dollars annually. It is now less than eighty millions. But the area of the Philippines is 125,924 square miles against 3,435 square miles in Porto Rico, making their possibilities of production on this basis thirty-six times that of Porto Rico. There can be no doubt but that the soil of the Philippines is as rich as that of Porto Rico, while there exist here many reserviors of natural wealth in forests of rare woods and stores of precious metal, that give great promise of abundant riches. We have, too, a list of products so much greater in variety than that possessed by Porto Rico that here industry, by reason of its many diverse elements, is certain to be more stable and less variable in its growth than where its pursuits are restricted as to number.

Another feature that is of the deepest significance with respect to American trade in the Far East is the commanding position occupied by Manila as a distributing centre.

The proposition of control by the United States of the trade of China through development of the resources and control of the trade of the Philippines, is entirely logical and should appeal to the reason of every practical person.

As business in these islands increases with the growth of industry, and the people attain a consuming capacity consonant with their capacity to produce, the requirements of this market, which the United States will undoubtedly control, will necessitate the carrying of permanent stocks in Manila, which also can be drawn upon to supply the trade of China. United States manufacturers will then have an advantage in the competition for the Chinese trade that cannot be secured by those of other countries, for the reason that no European country has a base in the Orient with contiguous territory of any considerable extent whose trade it can be assured of in a measure that will warrant it in carrying stocks to supply. The great ports of China are but a few days' voyage from Manila, and with these stocks here upon which to draw, American goods would be made available to merchants of China as readily as they now are to dealers in the United States itself.

Under the present status of trade in China several months must pass from the time goods are ordered in Europe or America before they are received. Nearly all purchases are made through brokers by Chinese jobbers and distributors, for future delivery, and the elements that determine the source of supply are the daily price and rate of exchange. But the long period of time intervening between the date of purchase of goods and their delivery injects into business a very serious element of hazard, besides involving the investment of an unusual amount of capital as compared with the volume of business transacted. Now, the Chinese, although pretty tightly wedded to custom, are, at the same time, keen business men and quick to take advantage of favorable opportunity. It would not be long ere they would come to see the advantage of buying in a market so close as Manila even at a slight increase in original cost, for they would realize that the necessity of buying heavily and carrying abnormal stocks can thereby be eliminated; that requirements can be more accurately anticipated and that a tremendous saving can be effected by a great reduction that would result in the amount of capital necessary to conduct their business. I firmly believe that through the agency of the Philippines the United States will come to control the trade of China.

And China is a big market, with imports already ranging upwards to $300,000,000 annually. And she is destined to grow bigger and more important with each succeeding year, for she is developing rapidly; the building of railroads is giving a strong impetus to industry throughout the empire and a spirit of progress prevails there that is bringing the wonderful country and its people into more intimate relations, commercially as well as politically, with the outside world.

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The strength of the Central Government at Peking must be held to be a measure of the strength of the Chinese Republic, and the Government has already proved itself deplorably weak. The experiment will have failed before it has fairly begun, if the administration of law and the maintenance of order are to be at the mercy of the "janissaries." It would, of course, be unreasonable to expect that the forces of disorder liberated by the Revolution should at once subside when the purposes of the Revolution have been accomplished. But it is not too much to require that the new government of China, before it receives recognition from the world, should demonstrate its capacity to control its own soldiery, and should be strong enough to protect life and property in its own capital without foreign aid. The root of the difficulty may be found to be the discordant ambitions of the men at the top, rather than the lawlessness of those below. The fact remains that the new form of government has not yet proved the validity of its claim to be that which divides China least. If the country is to be saved from dismemberment or internal collapse, after the manner of Mexico, some authority must be created strong enough to repress disorder with an unsparing hand, and sufficiently just to hold the balance even between the partisans of the old and the new order of things, who have an unsatified desire to fly at each other's throats.

In advance of executive action officially recognizing the Republic of China, which will not of course take place without consultation with the other Powers, it was eminently fitting and proper, as Mr. Sulzer stated, that the people of the United States of America should congratulate the people of China on their assumption of the powers, duties, and responsibilities of self-government, and express the confident hope that in the adoption and maintenance of a republican form of government the rights, liberties, and happiness of the Chinese people would be secure and the progress of the country assured. The conviction is strongly held here that the people of China are capable of self-government, and nowhere would there be felt a keener regret should events show that conviction to be unfounded. The joint resolution is, unhappily, somewhat ahead of the facts in the declaration contained in its preamble that "the Chinese nation has successfully asserted the fact that sovereignty is vested in the people, and has recognized the principle that government derives its authority from the consent of the governed, thereby terminating a condition of internal strife." But it is well

that the people of China should be assured of the interest and traditional sympathy of the American people with all efforts to adopt the ideals and institutions of representative government, were it only to furnish one more reason for prompting them to justify the most sanguine expectations of their friends.

OF the most intelligent order of the friends of China, Dr. Hawks Pott, the president of St. John's College at Shanghai, is an excellent representative, and he finds the chief difference between the present Revolution and the Taiping Rebellion of 1850-64 to consist in the fact that the Taipings were mostly free-booters attracted by the opportunity for looting. There can be no question that the present revolutionary movement in its origin and aim was totally and radically different. It is, as Dr. Hawks Pott puts it, the ebullition of the new national consciousness of China; it is inspired by patriotic motives, and has as its great aim the regeneration of the country. It is quite true that only a few years ago it was difficult to believe that such an uprising as the present was possible. Over and over again the Chinese had been taunted for their lack of patriotism, and let us hope that it is not too early to conclude that they have proved the possession of "the spirit which leads men to sacrifice all personal pleasures for the sake of their country." The distinguished authority from whom we have quoted could hardly have written now as he did early this year: "Instead of plundering and looting, wherever the revolution is securely established we find order and good government and the firm determination to make things better than they were before." It is possible that the excesses which have marred the process of preparation for the new republic may be merely accidental and transitory, but it is certain that they have occurred at a time most inopportune for the satisfactory settlement of the affairs of China.

We reproduce elsewhere the manifesto signed by Dr. Sun Yat-sen and addressed by the Republic of China to all friendly nations. The indictment of Manchu rule which it contains is quite unanswerable, and suggests at least a clear conception of the kind of policy needed to make China great and prosperous. For example, when the Manchus are accused of retarding the creation of industrial enterprises, rendering impossible the development of national resources, and wilfully neglecting to safeguard vested interests, it must be assumed that the policy of the new Republican Government will be precisely the reverse of this. Dr. Sun does indeed commit the new régime to a constant aim and firm endeavor to build upon a stable and enduring foundation a national structure compatible with the potentialities of a long neglected country. In view of the events with which February closed and March began, there is something rather pathetic in the appeal of January 5th "that the foreign nations who have been steadfast in sympathy will bind more firmly the bonds of friendship, that they will bear in patience with us the period of trial confronting us in our reconstructive work, and that they will aid us in the consummation of the far reaching plans which we are now about to undertake, and which they have so long and so vainly been urging upon the people of this, our country."

SECRETARY KNOX'S note to the German Ambassador of February 3d is pitched in the same key as that of Mr. Hay's communications to the powers during the Boxer trouble and in the course of the Russia-Japanese War. Our Government remarks with satisfaction on the disposition of all the Powers to act in concert—to refrain from independent action and from any interference in the internal affairs of China—as well as their common agreement to respect Chinese integrity and sovereignty. While up to that time there had been no reason for interference on the part of the foreign powers, there is evidence that any day may precipitate a situation which will render this policy of non-interference increasingly difficult. The value of the assurances which Mr. Knox has received in reply to his note will then become evident and there will be an increased assurance that no action will be taken by any power until after full mutual consultation.

IN this connection the terms of Secretary Hay's circular note of July 3, 1900, assume a new interest. Among other things, Mr. Hay said on that occasion: "Following the precedents enunciated by the United States as early as 1857, this Government aims at the conservation of peace and amity with the Chinese nation, the furtherance of lawful commerce, and the protection of the lives and interests of American citizens in every part of China by all the means guaranteed under extra-territorial treaty rights and by the law of nations, to which ends we are prepared to uphold the efforts of the Chinese authorities in the provinces to use their powers to protect foreign life and property against the attacks of subversive anarchy, and are resolved to hold to the uttermost accountability the responsible authors of any wrong done to our citizens." It is to be hoped that there will be no necessity to invoke the precedent of action which this formula establishes, but it is evidently one broad enough to adapt itself to any possible case.

IN spite of the dislocation of commercial exchanges in China which, beginning with last October, covered by the end of January 4 of the seven months of our current fiscal year, the returns of trade show a gratifying rate of increase. It is true the imports from China into the United States show a drop of $4,000,000, but our exports to China for the seven months have increased from $9,648,339 to $14,201,511, and to Hongkong from $4,619,732 to $6,436,640. In cotton piece goods, as will be perceived from the accompanying table, there has been a gain in the seven months of $2,200,000, and in illuminating oil, including the exports to Hongkong of $600,000. The exports to Japan show the remarkable increase of over $8,000,000, having been $19,386,847 in the first seven months of the last fiscal year against $27,522,721 in the corresponding period of the present one. The general tendency of increase in our Asiatic trade is further accentuated by a gain from $5,964,926 to $9,120,084 in our exports to the British East Indies.

Exports of Domestic Cotton Cloths, Mineral Oils, and Wheat Flour from the United States to China and Hongkong, during the seven months, ending Jan 31, 1911 and 1912.

EXPORTS TO CHINA.

Months.	Cotton Cloths.		Mineral Oils (illuminating).		Wheat Flour.	
1910.	Yards.		Gallons.		Barrels.	
July	10,897,533	727,329	5,392,690	323,424	638	2,576
August	9,582,788	563,587	14,052,380	888,045	2,643	11,823
September	4,226,655	263,334	7,130,000	314,745	1,333	5,144
October	951,800	56,682	8,044,160	493,021	452	1,894
November	1,018,400	90,740	5,048,550	298,529	3,691	14,533
December	3,294,806	227,245	7,996,752	583,235	5,308	20,650
1911						
January	5,667,644	390,359	3,915,380	180,847	58,188	210,766
Total	35,639,626	$2,319,276	51,579,912	$3,081,846	72,253	$267,386
July	11,063,600	788,798	15,882,570	1,148,524	1,631	6,490
August	8,680,440	625,749	7,827,602	537,398	21,926	79,752
September	7,671,189	581,168	7,857,040	572,253	61,783	237,040
October	6,901,562	484,934	5,660,580	406,178	55,750	216,175
November	12,544,616	877,394	.....	.....	67,470	266,515
December	12,534,270	844,814	4,040,070	282,039	55,850	217,338
1912.						
January	4,495,875	307,086	5,131,900	373,671	69,413	267,876
Total	63,891,561	$4,509,943	46,399,762	$3,320,063	333,823	$1,291,186

EXPORTS TO HONGKONG.

1910						
July	51,982	8,126	1,757	189	58,169	242,814
August	19,350	2,558	1,748,039	130,973	54,231	217,046
September	6,550	707	.....	.....	20,289	84,794
October	18,047	4,639	.....	.....	92,673	371,287
November	5,391	819	1,585,000	114,460	61,840	236,943
December	18,821	2,616	191,230	13,099	203,005	798,776
1911						
January	42,917	7,104	1,742,440	142,425	108,727	$452,872
Total	163,058	$26,569	5,208,466	$401,146	641,997	$2,536,622
July	73,151	10,412	.....	.....	72,283	281,302
August	55,621	10,166	1,539,170	115,438	73,571	287,511
September	49,832	7,889	2,040,000	151,980	85,937	333,803
October	44,343	7,410	830,000	81,956	251,607	993,047
November	35,212	3,509	2.455,000	184,827	143,919	550,437
December	187,236	20,889	2,677,000	195,421	234,502	915,396
1912						
January	57,814	7,253	.....	.....	94,456	380,186
Total	503,209	$67,528	9,541,170	$729,622	956,275	$3,746,681

DEPARTMENT OF COMMERCE AND LABOR,

WASHINGTON, D. C., March 4, 1912.

Bureau of Statistics.

Imports of Tea and Silk into the United States for the seven months, ending January 31, 1910, 1911 and 1912.

TEA.

Imported from	1909. Pounds.	1909. Dollars.	1910. Pounds.	1910. Dollars.	1911. Pounds.	1911. Dollars.
United Kingdom	4,138,129	948,177	6,435,302	1,618,129	9,149,197	2,363,681
Canada	1,222,214	285.232	1,593,872	410,544	1,481,137	417,496
Chinese Empire	24,584,994	2,837,481	19,974,620	2,387,105	13,871,118	1,797,861
East Indies	4,446,082	701,347	5,763,607	939,887	8,369,596	1,408,748
Japan	33,745,410	5,526,324	45,699,015	7,874,050	49,267,984	8,296,687
Other countries	356,368	79,110	703,600	116,588	539,881	97,115
Total	68,493,197	10,377,671	80,170,016	13,346,303	82,678,913	14,381,588

SILK.

RAW, OR AS REELED FROM THE COCOON.

Imported from	Pounds.	Dollars.	Pounds.	Dollars.	Pounds.	Dollars.
France	425,036	1,141,122	165,185	600,648	53,241	194,893
Italy	2,221,398	8,551,226	1,749,285	6,578,755	930,750	3,377,829
Chinese Empire	2,424,547	5,769,969	3,461,456	8,633,660	2,615,346	6,089,667
Japan	7,513,954	25,608,122	9,170,804	30,616,022	8,296,714	27,063,063
Other countries	139,312	525,099	98,492	356,677	102,427	380,461
Waste.....lbs...free..	1,719,364	1,012,544	2,395,406	1,281,825	3,313,829	1,395,561
Total unmanufactured	14,443,611	42,608,082	16,940,628	48,067,587	15,312.307	38,552,483

THE REPUBLIC OF CHINA.

From the Congressional Record, February 29.

MR. SULZER.—Mr. Speaker, by direction of the Committee on Foreign Affairs I ask unanimous consent for the present consideration of the joint resolution which I send to the Clerk's desk and ask to have read. This is a matter of some moment, and I hope there will be no objection to it. It is reported unanimously from the Committee on Foreign Affairs.

THE SPEAKER.—The gentleman from New York asks unanimous consent for the present consideration of House joint resolution 254, which the Clerk will report.

The Clerk read House joint resolution 254, congratulating the people of China on their assumption of the powers, duties and responsibilities of self-government, as follows:

Whereas, The Chinese nation has successfully asserted the fact that sovereignty is vested in the people, and has recognized the principle that government derives its authority from the consent of the governed, thereby terminating a condition of internal strife; and

Whereas, The American people are inherently and by tradition sympathetic with all efforts to adopt the ideals and institutions of representative government: Therefore be it

Resolved, etc., That the United States of America congratulates the people of China on their assumption of the powers, duties, and responsibilities of self-government, and expresses the confident hope that in the adoption and maintenance of a republican form of government the rights, liberties and happiness of the Chinese people will be secure and the progress of the country insured.

MR. SULZER.—Mr. Speaker, the joint resolution just read by the Clerk congratulating the people of China on assuming the duties and the responsibilities of self-government speaks for itself and needs no apology and no explanation from any patriotic American. It should pass the Congress of the United States without a dissenting vote.

It is fitting and proper that the people of the United States of America should congratulate the people of China on their assumption of the powers, duties, and responsibilities of self-government, and to express the confident hope that in the adoption and maintenance of a republican form of government the rights, liberties and happiness of the Chinese people will be secure and the progress of the country assured.

The resolution is in diplomatic form, according to custom, and in no way contravenes the status quo in the Orient or interferes with the protocol existing between the allied powers. Its adoption by Congress will be in line with our time honored precedents.

The establishment of a republic in China is a great world event—momentous in the annals of human history. Its accomplishment speaks volumes for the moderation and the patriotism of the Chinese people, challenges the admiration of civilization, and gives renewed evidence of the growth and the progress of the cause of representative government.

I believe the people of China are capable of self-govern-

ment. I reassert that governments derive their just powers from the consent of the governed. I feel confident that the adoption of this resolution will meet with the approval of the liberty loving people of our country. I indulge the hope that it will be followed ere long by Executive action officially recognizing the Republic of China. Long live the Republic of China!

MR. RAKER.—Mr. Speaker, we would like to hear over here what is going on with reference to China.

THE SPEAKER.—The point of order is well taken.

MR. SULZER.—Mr. Speaker, I will say to the gentleman from California that it is unnecessary for me to dwell at length on the urgent reasons why this resolution should pass immediately.

MR. RAKER.—If there are any urgent reasons I think the House ought to know them.

MR. SULZER.—Mr. Speaker, has the gentleman from California any objection to congratulating the people of China on establishing a republic? This resolution simply congratulates the people of China on assuming the rights and duties of self-government.

MR. RAKER.—Mr. Speaker, I would congratulate any people who are in favor of a republican form of government.

MR. SULZER.—Good. That is all this resolution does.

THE SPEAKER.—Is there objection? [After a pause]. The Chair hears none.

The joint resolution was ordered to be engrossed and read a third time, was read the third time, and passed.

On motion of Mr. Sulzer, a motion to reconsider the vote whereby the joint resolution was passed was laid on the table.

POLICY OF THE UNITED STATES IN CHINA.

The following is the text of a note handed by Secretary Knox to the German Ambassador on the 3rd instant in reply to an inquiry from the Imperial German Government (with which there had been an informal exchange of views) as to the attitude and general impressions of the Government of the United States in regard to conditions in China:

Department of State, Washington, February 3, 1912.

Your Excellency:

In reply to your note of the 31st ultimo requesting information as to the attitude of the Government of the United States with regard to conditions in China, I have the honor to state that since the beginning of the present disturbances this Government has from time to time, as occasion arose, exchanged views with the other interested powers—particularly France, Great Britain, Italy, Japan and Russia, as well as the Imperial German Government—as to what course was expedient for the protection of the common interests. From these exchanges it has been quite clear that all the powers concerned were at one as to the wisdom of maintaining the policy of concerted action in the circumstances.

This unanimity of view found concrete expression in the identic note presented by the representatives of France, Great Britain, Germany, Japan, Russia and the United States simultaneously to the peace commissioners at Shanghai on December 20, as well as in the co-operative measures taken for the protection of their common interests throughout China.

The advices received by this Government, moreover, show that the other governments concerned have likewise had similar exchanges of view and that official statements of policy to the same effect have appeared in the public press of various countries.

It is, therefore, evident to this Government that all the powers have up to the present, by common consent, not only refrained from independent action and from intervening in China's internal affairs, but have acted in full accord with their mutual assurances that they would respect its interrity and sovereignty. There happily has thus far been no reason for interference on the part of the foreign powers, inasmuch as both Imperialists and Republicans have guaranteed the life and property of the foreign population, and the latest reports tend to strengthen the belief that it is improbable that future developments will necessitate such interference. If, however, contrary to all expectations, any further steps should prove necessary, this Government is firm in the conviction that the policy of concerted action after full consultation by the powers should and would be maintained in order to exclude from the beginning all possible misunderstandings.

Moreover, this Government has felt it to be a corollary of the policy of strict neutrality hitherto pursued by common accord with respect to loans to China to look with disfavor upon loans by its nationals unless assured that such loans would be of neutral effect as between the contending factions, as it has also felt that the present was an occasion where there might be invoked with peculiar appropriateness the principle of the lending governments' deterring their nationals from making loans not approved as to their broad policy by their own governments in consultation with the other interested powers.

Accept, Excellency, the renewed assurances of my highest consideration.

P. C. KNOX.

His Excellency, COUNT J. H. VON BERNSTORFF,

Imperial German Ambassador.

THE RESPONSE OF THE POWERS.

In response to the note addressed to the German Ambassador on February 3, setting forth the attitude and views of the Government of the United States in regard to certain phases of the Chinese situation, which was communicated also to the governments of Austria, France, Great Britain, Italy, Japan and Russia, the Department of State has thus far received replies from the governments of Great Britain, Germany, Russia and Japan.

The British and German governments state that the substance of Secretary Knox's note is quite in accord with their own attitude. The governments of Japan and of Russia also concur with the United States as to the policy of non-intervention and common action.

DR. HAWKS POTT ON THE REVOLUTION.

A COMPARISON between the Taiping Rebellion of 1850-64 and the present great Revolution has many points of interest. In the former we find a commingling of religious and political motives. The leader, Hung Hsui-chuan, in the founding of the Shang Ti Hwei, (the Society for the Worship of God), instituted a movement which in its beginning resembled in many ways the rising of Mahomet. The opposition which he met from the Government forced him to become a political rebel and to raise his standard against the Manchus. His followers were attracted to him largely by the opportunity for looting, and for the most part were freebooters.

There were no simultaneous risings all over the country, and the peaceful inhabitants of China feared the Taipings even more than they feared the Imperialists. Its army wound its way from city to city leaving desolation and ruin in its tracks. Some of the fairest portions of China were ruthlessly ravaged, and piles of ruins still remain as evidence of the frightful havoc which was wrought.

The leader, as is well known, after he had captured Nanking, gave himself up to a life of dissipation and debauchery, and the high idealism with which he had begun his crusade degenerated into cruelty and selfishness.

At the outset there were many Westerners who sympathized with the movement and saw in it the dawn of a new day for China. It seemed about to strike the death-blow to ignorant idolatry and to give promise of a better government. It was soon seen, however, that it lacked all real elements of progress, and that if successful the condition of China would have been far worse than it was under the Manchu Government.

The present revolutionary movement in its origin and its aim seems totally and radically different. It is the ebullition of the new national consciousness of China. It is inspired by patriotic motives, and has as its great aim the regeneration of the country.

The uprisings everywhere have been spontaneous. In many places the new government has been established voluntarily, for it has been welcomed by the people. We find the principal actors in it not to be the dregs of the populace, but those who have had their minds enlightened through Western education.

A short time since it was customary for writers in regard to the East to make the statement that the East had reached the highest development possible for it to attain, socially and politically, and that we could not expect any further evolution. First, Japan showed how dangerous it is to dogmatize in the realm of politics, and now China is upsetting all calculations.

Few believed a few years ago that such an uprising as the present was possible. Over and over again, the Chinese have been taunted for their lack of patriotism, but we find they possess the spirit which leads men to sacrifice all personal pleasures for the sake of their country.

Instead of plundering and looting, wherever the revolution is securely established we find order and good government, and the firm determination to make things better than they were before.

Of course, there have been some excesses, but on the whole the Revolutionists have acted with moderation even towards defenceless Manchus.

We know not what the end may be, but of one thing we feel sure. China is proving herself worthy to be a nation, and in due course of time will work out her destiny, and the Chinese will become a great people. Wherever there is real national spirit, there is ground for the most sanguine hope.

F. L. H. P.

CHINA TO THE POWERS.

MANIFESTO FROM THE REPUBLIC OF CHINA TO ALL FRIENDLY NATIONS.

Greeting—The hitherto irremediable suppression of the individual qualities and national aspirations of the people having arrested the intellectual, the moral, and the material development of China, the aid of revolution has been invoked to extirpate the primary cause, and we now proclaim the resultant overthrow of the despotic sway wielded by the Manchu Dynasty and the establishment of a Republic.

The substitution of a Republic for a Monarchical form of Government is not the fruit of a transient passion. It is the natural outcome of a long-cherished desire for broad-based freedom making for permanent contentment and uninterrupted advancement. It is the formal declaration of the will of the Chinese nation.

We, the Chinese people, are peaceful and law-abiding. We have waged no war except in self-defence. We have borne our grievances during 267 years of Manchu misrule with patience and forbearance. We have by peaceful means endeavored to redress our wrongs, secure our liberty, and ensure our progress, but we have failed. Oppressed beyond human endurance we deemed it our inalienable right as our sacred duty to appeal to arms to deliver ourselves and our posterity from the yoke to which we have so long been subjected, and for the first time in our history inglorious bondage has been transformed to an inspiring freedom splendid with the lustrous light of opportunity.

The policy of the Manchu dynasty has been one of unequivocal seclusion and unyielding tyranny. Beneath it we have bitterly suffered, and we now submit to the free peoples of the world the reasons justifying the revolution and the inauguration of our present government.

FROM LIGHT TO DARKNESS.

Prior to the usurpation of the Throne by the Manchus the land was open to foreign intercourse and religious tolerance existed, as is evidenced by the writings of Marco Polo and the inscription on the Nestorian tablet of Sianfu.

Dominated by ignorance and selfishness the Manchus closed the land to the outer world and plunged the Chinese people into a state of benighted mentality calculated to operate inversely to their natural talents and capabilities, thus committing a crime against humanity and the civilized nations almost impossible of expiation.

Actuated by a desire for the perpetual subjugation of the Chinese, by a vicious craving for aggrandisement and wealth, the Manchus governed the country to the lasting injury and detriment of our people, creating privileges and monopolies and erecting about themselves barriers of exclusion in national custom and personal conduct which have been rigorously maintained throughout the centuries.

They have levied irregular and unwholesome taxes upon us without our consent, have restricted foreign trade to treaty ports, placed likein embargoes upon merchandise in transit; and obstructed internal commerce.

They have retarded the creation of industrial enter-

prises, rendered impossible the development of natural resources, and wilfully neglected to safeguard vested interests.

They have denied us a regular system and impartial administration of justice; inflicted unusual and cruel punishments upon all persons charged with offenses whether innocent or guilty; and frequently encroached upon sacred rights without due process of law.

They have connived at official corruption; sold offices to the highest bidder; and subordinated merit to influence.

They have repeatedly rejected our most reasonable demands for better government, and have reluctantly conceded pseudo-reforms under most urgent pressure, making promises without intention of fulfilling them; and obstructing efforts towards national elevation.

They have failed to appreciate the anguishing lessons taught by the foreign powers in the process of years, and have brought themselves and our people beneath the contempt of the world.

To remedy these evils and render possible the entrance of China to the familly of nations we have fought and formed our government, and lest our good intentions should be misunderstood we now publicly and unreservedly declare the following to be our promises:

All treaties entered into by the Manchu Government before the date of the Revolution will be continually effective up to the time of their termination; but any and all entered into after the commencement of the Revolution will be repudiated.

All foreign loans or indemnities incurred by the Manchu Government before the Revolution will be acknowledged without any alteration of terms; but all payments made to, and loans incurred by, the Manchu Government after the commencement of the Revolution will be repudiated.

All concessions granted to foreign nations or their nationals by the Manchu Government before the Revolution will be respected, but any and all granted after the commencement of the Revolution will be repudiated.

All persons and property of any foreign nation within the jurisdiction of the Republic of China will be respected and protected.

It will be our constant aim and firm endeavor to build upon a stable and enduring foundation a national structure compatible with the potentialities of our long-neglected country.

We will strive to elevate our people; secure them in peace, and legislate for their prosperity.

To those Manchus who abide peacefully within the limits of our jurisdiction we will accord equality and give protection.

We will remodel our laws; revise our civil, criminal, commercial and mining codes; reform our finances; abolish restrictions to trade and commerce, and ensure religious toleration.

The cultivation of better relations with foreign peoples and governments will ever be before us. It is our earnest hope that the foreign nations who have been steadfast in sympathy will bind more firmly the bonds of friendship, that they will bear in patience with us the period of trial confronting us in our reconstructive work, and that they will aid us in the consummation of the far-reaching plans which we are now about to undertake, and which they have so long and so vainly been urging upon the people of this, our country.

With this message of peace and good will the Republic of China cherishes the hope of being admitted into the family of nations not merely to share their rights and privileges, but also to co-operate with them in the great and noble task called for in the upbuilding of the civilization of the world.

(Signed) SUN YAT-SEN, President.
(Countersigned) Minister for Foreign Affairs.

Dated at Nanking, fifth day of the first month of the first year of the Republic of China (Jan. 5, 1912).

THE EDICT OF ABDICATION.

PEKING, Feb. 12.—After occupying the throne of China for nearly three centuries, the Manchu dynasty, represented by the child Emperor Pu-Yi, abdicated at noon to-day.

Three edicts were issued, the first proclaiming the abdication, the second dealing with the establishment of the republic, and the third urging the maintenance of peace and approving the conditions agreed upon by the Imperial Premier, Yuan Shi-Kai, and the Republicans.

The following is the text of the edict announcing the abdication of the throne:

"We, the Emperor of China, have respectfully received to-day the following edict from the hands of her Majesty, the Dowager Empress:

"In consequence of the uprising of the Republican army, to which the people of the Provinces of China have responded, the Empire is seething like a boiling caldron, and the people are plunged in misery.

"Yuan Shi-Kai was therefore commanded to dispatch commissioners in order to confer with the Republicans with a view to the calling of a National Assembly to decide on the future form of government. Months have elapsed, and no settlement is now evident.

"The majority of the people are in favor of a republic. From the preference of the people's hearts the will of Heaven is discernible. How could we oppose the desires of millions for the glory of one family?

"Therefore, the Dowager Empress and the Emperor hereby vest the sovereignty of the Chinese Empire in the people.

"Let Yuan Shi-Kai organize to the full the powers of the provisional Republican Government and confer with the Republicans as to the methods of union, assuring peace in the Empire and forming a great Republic with the union of Manchus, Chinese, Mongols, Mohammedans, and Tibetans.

"We, the Empress Dowager and the Emperor, will thus be enabled to live in retirement, free from responsibilities and cares, and enjoy without interruption the nation's courteous treatment."

At an audience yesterday the Empress Dowager touchingly thanked Yuan Shi-Kai for his successful efforts in obtaining good treatment for the imperial family from the Republicans.

In consideration of the abdication the Republicans make the following eight pledges to the Emperor:

"First—The Emperor shall retain his title and shall be respected as a foreign monarch.

"Second—The Emperor shall receive an annual grant of 4,000,000 taels until the currency is reformed, after which he shall receive $4,000,000 Mexican.

"Third—A temporary residence shall be provided in the Forbidden City and later the imperial family shall reside in the summer palace, ten miles outside of Peking.

"Fourth—The Emperor may observe the sacrifices at his ancestral tombs and temples, which will be protected by Republican soldiers.

"Fifth—The great tomb of the late Emperor Kwang-Su will be completed and the funeral ceremony fittingly observed at the Republic's expense.

"Sixth—The palace attendants may be retained, but the number of Meunuchs cannot be increased.

"Seventh—The Emperor's property will be protected by the Republic.

"Eighth—The imperial guards will be governed by the Army Board, the Republic paying their salaries."

The contended point as to whether the Throne shall be perpetuated or will terminate with the present Emperor's death is not mentioned. Four pledges for the treatment of the imperial kinsmen follow:

"First—The Princes, Dukes, and others having hereditary titles shall retain their rank.

"Second—The nobility shall have the rights and privileges of ordinary citizens.

"Third—The private property of the nobility will be protected.

"Fourth—The nobility shall be exempted from military service."

Seven pledges are given in the interest of the Mongols, Manchus, Mohammedans, and Thibetans:

"First—They shall have rights and privileges similar to the Chinese.

"Second—Their private property will be respected.

"Third—The nobility will retain their hereditary rank.

"Fourth—The State will find employment for such of the nobility as are in financial difficulties.

"Fifth—The Manchus' pension will continue until the State finds them occupations.

"Sixth—Restrictions as to occupations and dwelling places will be abolished.

"Seventh—They shall have religious liberty."

In concluding the second edict, the Emperor Dowager says:

"Our sincere hope is that peace will be restored and that happiness will be enjoyed under the Republic."

The third edict describes the Throne's motive in modelling its policy "according to the progress of the times and the earnest desires of the people, with the sole object of the suppression of a great disorder and the restoration of peace."

"Should the warfare continue," adds the edict, "the country might be irreparably ruined and would suffer the horrible consequences of a racial war." It exhorts the general in command in Peking to maintain order and to explain to the people that "the Throne is acting upon Heaven's will." It commands the members of the Cabinet and the Viceroys to continue their duties and not to shirk their responsibilities, conforming with the Throne's perpetual intention to love and cherish the people.

THE HAGUE OPIUM CONFERENCE.

Although the conference of nations called for the purpose of considering ways and means to keep within legitimate bounds the international traffic in opium and certain other narcotics concluded its labors and adjourned January 23, the trade has been kept in suspense as to the conclusions reached by that body. The reason assigned for secrecy in the matter is that copies of the agreement, called a convention, entered into by the attending representatives of the twelve nations, could not with propriety be given to the public until they had been submitted by the delegates to their respective governments. Our Washington correspondent this week reports that Dr. Hamilton Wright, the representative of the United States at the conference, has returned to Washington, and that a copy of the convention has been transmitted to the Secretary of State. While general official publicity has not been given to the document, our correspondent has been able to learn the gist of it from those who are in close touch with the situation, and his presentation of the matter will no doubt be eagerly read by the trade generally and by those particularly who specialize on opium and its derivatives.

Briefly, the convention provides, first, for the control of the production and distribution of raw opium; second, for the speedy termination of all manufacture of or trading in smoking opium; third, for the definition of medicinal opium and certain other narcotics, and for excepting from the provisions of the convention preparations containing not more than a fixed maximum percentage of the drugs; fourth, for special restrictions regarding trade with China; and, fifth, for regarding possession of the interdicted drugs as prima facie evidence of guilt. Dr. Wright is quoted as denying unequivocally reports which have gained some circulation to the effect that the other interested governments were not in sympathy with the United States in the latter's effort to prepare a basis upon which all could unite in the great work before them. On the contrary, the governments represented at the conference, with one exception, have, since the conference of 1909, put into force drastic legislation intended to correct the very evil which is the raison d'etre for the international meetings. That exception is the United States. America's weakness in the conference in so far as any developed, was not the result of Old World opposition, but of inaction at home.

While the trade in this country has gone on record as being in favor of confining sales of opium, morphine, cocaine and the like to those whose demands are legitimate, there is much difference of opinion as to the shape which the necessary restrictions should take when written in a statute. Accordingly it is not to be supposed that all the trade will ever agree, even among themselves, to say nothing of agreement with outsiders, as to the wording of a bill intended to accomplish, as a law, the very thing which they agree, broadly speaking, should be accomplished. But those who protest against any measure introduced in Congress having for its object the curbing of the narcotic evil should keep in mind a most sane statement made by a speaker of the recent organization meeting of the National Association of Manufacturers of Medicinal Preparations. This speaker said that it is not enough for an association to protest against the phraseology of a national anti-narcotic bill, but it, to gain a respectful hearing, must offer something better to take the place of that which it would tear down.

That Congress soon will be urged to act decisively in the matter of curtailing illegitimate traffic in habit-forming drugs, through its power to regulate foreign and interstate commerce, seems assured. Many bills intended to reach the evil have been introduced and in view of the attitude of the Hague conference as a whole, and particularly that of our representative in the body, it will soon be incumbent upon the United States to give evidence of its good faith in the matter of desiring to curb an evil which has grown to be a world-wide scandal and menace. Trade organizations as well as individuals who sincerely wish to bring about a betterment of the narcotic situation have now an opportunity to offer substantial aid to their law makers, but if there are any who would go to Washington in the guise of friends of humanity to make suggestions ostensibly to aid the reform, yet really calculated to do it harm, they may be assured in advance that should they do this they will doubtless have the masks torn from their faces, for in official circles there are strong men who are determined to keep the United States abreast of other nations, if not a little in advance of them in this matter which so vitally affect the welfare of mankind.—*Oil Paint and Drug Reporter.*

CHINA COTTON TRADE CHANGES.

From Consul General George E. Anderson, Hongkong, Dec. 15, 1911.

The revolution in China has upset the trade in cottons in South China in unexpected ways. Not only has there been contraction of demand for goods which naturally might have been expected, but there has been a notable change in the nature of what demand has been left. The contraction in demand generally has been such that reports from the trade indicate that trading has nearly ceased in some ports.

In spite of the high price of cotton in China and Japan due to the floods in China and more or less of a failure of the crop in India the average price of Indian and Japanese cotton yarn in South China dropped about 25 per cent in the past few weeks as a result of general slack demand and general conditions. In Hongkong middlemen report that they have lost 70 to 90 per cent of their business and that only forward orders have saved them from losing practically all of it.

Not only has the demand fallen off, but owing to disorders in the interior boatmen will not contract even at high rates to carry yarn or similar valuable goods when they have been sold, the presence of valuable cargo on the boats attracting the attention of the pirates and robbers infesting the near-by interior. Orders for goods have been countermanded freely and in a number of cases goods have been refused on arrival. While there has not been as much trouble of this sort as has been anticipated, this fact is due more to the readiness with which countermanding orders have been accepted by mills than through any action on the part of the Chinese traders concerned and jobbers have avoided heavy losses mostly through consideration on the part of manufacturers.

The general situation at the middle of December was considerably improved for the reason that it has come to be understood that trading will be in small volume if any for some time to come.

CHANGES IN CHINESE DRESS.

There has been a notable change in the character of the trade which has continued, however—a change which will probably characterize the trade for some time to come and it seems probable that Chinese trade in cottons will never be exactly of the sort it has been. Change in Chinese dress is much more extensive than had been anticipated. Thousands of Chinese in the open ports have not only done away with their queues, but have turned to foreign dress altogether. Foreign dress tailors in Hongkong have orders booked for all they can do for several months.

The great mass of Chinese business men in the interior in touch with foreigners have modified characteristic Chinese clothing so as to appear semiforeign in style. The characteristic long coat or gown is now quite generally being cut short—about the length of an ordinary sack business coat in America—and this style is being adopted more and more generally in the interior. This in itself means a considerable change in demand, and not only is the cut of clothing being quite generally modified, but the nature of the cloth used is being modified more radically.

IMITATION WOOLENS ARE IN DEMAND.

There has sprung up an extraordinary demand in the open ports for woolens and for cotton manufactured in imitation of woolens. Naturally there has been a corresponding falling off in the demand for cotton "fancies" and other goods used formerly in Chinese dress. The use of goods of a style to approximate foreign style men's clothing in appearance is immensely on the increase. Chinese traders give the opinion that the change in demand is permanent. Inasmuch as the United States has not been directly interested in the trade in "fancies" the change is rather to the advantage of American cotton interests.

General feeling in practically all lines of trade in South China is pessimistic. Most trade authorities agree that if normal conditions are reached within a year the best to be reasonably expected will be realized.

SHIPMENTS FROM ENGLAND AND AMERICA.

The following statistics of exports of cotton cloth from the United States and the United Kingdom to China during 1910 and 1911, by months, would not indicate much recent decline in that trade. It is probable, however, that stocks are accumulating at Shanghai and other leading ports:

MONTHS	UNITED STATES		UNITED KINGDOM	
	1910	1911	1910	1911
January	.....	$390,859	$2,746,443	$4,201,751
February	$3,568	222,309	2,835,044	4,558,601
March	3,988	486,439	2,749,884	4,431,907
April	209,841	444,472	2,506,257	4,086,308
May	1,342,041	860,882	2,626,260	3,464,349
June	662,990	960,016	3,256,944	4,067,581
July	727,329	788,798	4,106,723	3,860,633
August	563,587	625,749	3,884,440	4,375,052
September	263,334	581,169	3,173,347	3,986,403
October	56,682	484,934	2,594,891	4,811,712
November	90,740	877,895	2,017,784	3,262,176
December	227,945	844,814	3,386,227	2,915,671
Total	$4,151,340	$7,567,334	$35,384,194	$48,022,144

CHINESE RAILWAY PROJECT.

(From Consul General George E. Anderson, Hongkong)

At the instance of the consulate general in Hongkong, several American manufacturers of railway material have sent a representative to Mengtze and Yunnanfu (both cities in the Province of Yunnan), and two important locomotive companies also have men on the ground, in connection with the contract to construct the proposed line from Yunnanfu to Lanchowfu, on the Yangtse River, in the Province of Szechwan. The matter of freight rates, however, over the French railway from Haifong, in French Indo-China, to Yunnanfu, is of such controlling importance that the projectors of the line are seriously considering the construction of a line from Yunnanfu to Nanning

(on the Yoo River in the Province of Quang Se), as a means of avoiding these excessive charges, as well as opening up the Province of Yunnan and west China by the new route. This road would give communication by rail and water with Hongkong and Canton.

This enterprise is not exactly an alternative of the construction of what is known as the Szechwan Railway, but it seems to be generally understood that the construction of the railway to Nanning will postpone the construction of the line from Yunnanfu to the Yangtze. The survey work of the line to Nanning is now (November, 1911) being rapidly completed and the immediate construction of either the Szechwan Railway or the line to Nanning seems to depend entirely upon the early settlement of political disturbances in China generally. The detailed survey of the line from Yunnanfu to Lanchowfu, under the direction of two American engineers, is also rapidly nearing completion, the preliminary already having been disposed of.

TRADE ROUTES INTO YUNNAN.

Hongkong importers who expected a revolution in the trade of Yunnan and Kwangsi Provinces in South China as a result of the operation of the railway from Haifong to Yunnanfu, have come to the conclusion that under present conditions much of the expected expansion will prove impossible. There has been a considerable increase in some lines of trade into and from these Provinces, but the increase has been due, to some extent at least, to generally improved conditions and mining and other internal development in the Provinces, and in spite of drawbacks due to railway conditions. The usual direct results of railway service have been minimized by interrupted service, troublesome customs and other charges, and particularly by high freight rates.

In spite of the opening of the railway, goods are still imported into Yunnan, Kweichow, and west China by rail through Burma, thence by pack train to Bhamo and on to Tengyueh, and then to Batang, about 400 miles north, or to Talifu, and even to Yunnanfu, whence the goods are distributed all over that part of the country, as they have been since the beginning of the trade. These costly means and tedious routes are used in spite of what would seem to be the manifest advantages of the rail route to Yunnanfu or to intermediate points and thence by the natural caravan routes to various points in the Province and west China.

The expected change in the direction of these imports has so far not been realized, and present indications are that the railway transportation charges over the line to Yunnanfu will have to be modified before any change can be reasonably expected. These charges bear with particular weight upon all great undertakings for the development of the country like railways, mining enterprises, factories, and, in short, all enterprises which require heavy machinery and a reasonable rate for the transportation of supplies or output.

HIGH FREIGHT RATES.

The construction of the line into Yunnan has been too light for the nature of the country, the result being that the operation of the line has been interrupted between French territory and Yunnanfu for the greater portion of the time. Rainfall in some portions of the territory traversed is particularly heavy and the grades have been established largely by the use of a peculiarly light decomposed granite which has readily been swept away by floods. It has become evident that considerable work in reconstruction will have to be done before regular and uninterrupted service on the railway can be relied upon. This, of course, has had considerable effect in restricting the use of the railway and in retarding the development of the country.

The chief cause for the latter, however, is the railway rates. These rates are upon five classes of freight and are assessed upon the basis of five zones between the seaboard at Haifong and Yunnanfu. The rates are based upon considerations of comparative value and comparative bulk of goods as well as weight, and in general follow similar classifications in France. They vary from 11 to 26 cents local currency (4.73 cents to 11.18 cents gold at present exchange) per metric ton (2,204 pounds) per kilometer (0.62 mile) for the higher class of goods to 4 to 10 cents local currency (1.72 to 4.3 cents gold) per metric ton per kilometer for the lowest class of goods. To the present rates a surtax of 10 per cent is now added on the ground that exchange is low, but this surtax will be removed when the local dollar will equal 50 cents gold.

EXTRA FEES.

The rates on various classes of goods from Haifong to Yunnanfu, therefore, a haul of 481 miles, range from about $23 gold to over $60 gold per metric ton. To the rate of $23 to $60 per ton from Haifong to Yunnanfu, the railway company adds a charge of about $3 local currency, or $1.30 gold, as a "customs" charge, which seems to be designed to cover the clerical expenses of clearing goods through the Indo-China and the Chinese customs. This charge has, however, no actual connection with the customs duties, and is independent of the duties levied either in China, where 70 per cent of the usual Chinese customs duty is collected or in Indo-China, where 20 per cent of the full import duty on goods from abroad is collected as a transit tax on goods thus entering China. The freight rates above given are modified somewhat by rates for carload lots, but are increased for goods of a dangerous nature, considerable quantities of which are used in railway construction and mining enterprises.

In addition to freight on the long ocean haul from the United States to Haifong, the freight on rails from Haifong to where they are needed is about 150 per cent of the actual price of the rails in the United States.

IRON AND COAL PRODUCTION IN CHINA.

(From Consul General George E. Anderson, Hongkong)

While it is probable that many of the reports of extraordinarily rich ore deposits and unusually fine coal deposits that have long been a common feature of discussion of China's natural resources and latent commercial and industrial possibilities were greatly exaggerated, enough is known of some of the deposits to warrant the statement that China is well provided with fuel and ore for iron and steel development indefinitely in the future.

At present six notable domestic sources of coal are available in China—one in the mining country centering about Chinwangtao above Tientsin, known as the Kaiping mines; another in the mines in Shantung Province, known as the Hungshan and Fangtse mines; a third in Honan along the Hankow-Peking Railway and operated by the Peking syndicate; another in Kiangsi-Honan border country south of Changsha and known as the Pinghsiang mines; a fifth in the Chingching mines in Chihli Province; and a sixth in the Japanese mine at Fushun in Manchuria; and various other smaller fields, in few of which development upon any modern scale as yet has been attempted. The output of the mines named during 1910 has been listed as follows:

MINES	TONS
Kaiping	1,174,812
Fushun	8,20,328
Pinghsiang	610,000
Shantung	482,880
Honan	357,005
Chingching	150,000
Total	3,604,525

DISTRIBUTION OF THE COAL—MODERN WORKS.

This coal has been used in numerous local enterprises, on various Chinese railways, by Chinese naval vessels, and in Chinese Government institutions like the mints, naval depots, arsenals, and Government factories, in the Hanyang iron works and most foreign factories, and a considerable quantity of it was exported, some to the Pacific coast of the United States. The foregoing figures do not include any output of purely local nature, like that mined along the French railway in Yunnan, the small amount taken out near the rivers for steamers in Kwangtung, or, in short, purely local production anywhere. The amount listed may be termed that coal which has come into the public market in China.

The only modern iron works in China producing iron upon a modern basis and by modern methods—the only works producing pig or steel that may be counted as a part of the available supply of the world—is the Hanyang Iron & Steel Works near Hankow. The president of this establishment has informed this consulate that 303,076 tons of ore were taken from the Tayueh mines in 1910, and 130,000 tons of pig iron were produced at the Hanyang works, of which 14,034 tons were shipped to Shanghai, etc., 29,167 tons to Japan, and 15,100 tons to the United States. The Chinese exportation of iron ore in 1910 amounted to 196,000 tons. A practically unlimited increase in the production of coal and iron is only a matter of increased demand and increased investment.

ANNUAL REPORT OF THE AMERICAN ASIATIC ASSOCIATION OF JAPAN.

(KOBE BRANCH)

KOBE, 14th December, 1911.

To the Members of THE AMERICAN ASIATIC ASSOCIATION OF JAPAN, KOBE:

GENTLEMEN:—The Annual General Meeting is to be held at the American Consulate, No. 5 Bund, on Thursday, December 21st at 5 o'clock, and the Executive Committee begs to submit herewith its report for the first year of the Association's existence.

There are now 56 members on the rolls, of whom 34 reside in Kobe, 7 in Osaka, 3 in Kyoto, and one each in Itosaki, Matsuyama, Nagasaki, Okayama, Shioya, Tottori, and Tsu, Ise; 2 are absent. The committee feels that this membership is conclusive evidence that Americans in this part of Japan feel the need of an organization of this nature, and during the year your committee in the discharge of its duties has done all in its power to carry out the objects and purposes of this Association.

We have co-operated with the American Asiatic Association in Yokohama in the matter of perpetual lease holdings, securing the signatures of all the American leaseholders in this part of Japan to a petition which has been presented to the Ambassador. The "Melville E. Stone Controversy" has had the attention of your committee, but the publicity given to this matter in the daily press makes further comment unnecessary.

Representations have been made to the Department of State with a view to raising the status of the American Consulate here, and in view of the importance of the port of Kobe it is hoped that provision will be made for this in the next Consular Service Bill.

Your committee has effected a reciprocal membership arrangement with the Yokohama organization, so that when moving from one port to the other a member is admitted to the Association at his new port without the formality of election or the necessity of paying extra dues. A by-law incorporating this arrangement will be proposed at the Annual General Meeting.

The JOURNAL OF THE AMERICAN ASIATIC ASSOCIATION published in New York has been subscribed for, and we trust it has been received regularly by all members.

The retiring committee begs to extend thanks for the co-operation of the members during the past year and solicits for the incoming committee the same generous support.

O. H. HAHN,
Honorary Secretary.

THE PHILIPPINE ISLANDS.

The annual report of the Philippine Commission for the fiscal year 1911, of which the following is a summary, has just been issued by the Bureau of Insular Affairs, War Department.

COMMERCIAL DEVELOPMENT.

It is stated that the cry of "hard times" can no longer be raised in the Philippine Islands, as most of the provinces have enjoyed a year of unprecedented prosperity. The result of the legislation by Congress, which practically

granted free trade between the Islands and the United States, has surprised even its most optimistic friends and advocates. The second year of experience with this law has shown a decrease of $2,000,000 in exports to the United States, but a considerable increase in the imports from the United States. The fact that the markets of the United States were open to the products of the Islands has resulted in an increase in the price of sugar and tobacco and an improvement in the market for copra, but these products, as heretofore, have found their way to the natural markets in the nearby countries of the Orient.

IMPORTS.

The total value of imports into the Islands during the year amounted to $49,833,722, as compared with $37,067,630 for 1910. The United States headed the list of countries with 40 per cent. of the total importations as against 30 per cent. in 1910.

EXPORTS.

The total value of exports was $39,778,629, as compared with $39,717,960 the previous year. Exports to the United States decreased from $18,793,678 in 1910 to $16,813,864, but this country still occupies first place, taking over 40 per cent. of the total exports. The principal articles of export are hemp, copra, sugar, tobacco, cigars and cigarettes.

BALANCE OF TRADE.

For the first time since 1904 the balance of trade was against the Islands to the extent of $10,055,093. This difference, however, is less than at first appears, if we take into consideration the value of articles imported free of duty by the Army and Navy, the Government of the Philippine Islands, and government-aided railways. These importations, amounting in value to $4,865,933, have been included in the figures for 1911 for the first time.

REVENUES.

There was an increase in customs revenues of nearly $1,000,000 and in internal revenue of more than $1,500,000.

PEACE AND ORDER.

Tranquility has reigned throughout the Island with only such disturbances as might be expected in any community, and having no other than a purely local significance.

RAILROADS.

Railroad construction has progressed steadily during the year. The main lines in the Islands of Panay and Cebu are in full operation and only short branch lines remain to be laid.

In Luzon the work on the northern lines is nearly complete and the construction on the lines south of Manila is being rapidly pushed. All portions in operation have proved unexpectedly productive from the start.

The opening of these lines had an almost magical effect in stimulating industry and fostering production. The territory traversed, which had been abandoned, has experienced an agricultural awakening. The province of Batangas shipped 10,000 tons of oranges the first year.

HEALTH.

Health conditions have been better than ever before. Cholera has been a lesser menace than during any previous year since its first appearance after American occupation and no other dangerous epidemic has gained headway in the Islands. Extended investigations have resulted in discoveries which have enabled the health officials successfully to combat a number of dread diseases, notably beriberi, which has wholly disappeared in Government institutions. The number of lepers is steadily decreasing in response to preventive measures and treatment.

The general hospital, which is now in successful operation, is said to be the best-arranged and best-equipped hospital in the Orient. Free dispensaries and free medical, obstetrical and surgical service for the poor are beginning to play an important part in improving health conditions at Manila.

EDUCATION.

The increase in school attendance has been very satisfactory, the average attendance being over 50 per cent. of the 600,000 children enrolled. The public school system, established and conducted on the lines of that in the States, has met with great public favor with the people. They also appreciate the work of the University of the Philippines as shown by the fact that 57 per cent. of the high school graduates have entered this University, which is twice as great as the proportion of high school graduates in the United States who enter college.

Special emphasis is now being placed on practical agricultural and industrial training in order to meet the needs of the people and improve the economic conditions now existing.

POSTAL SAVINGS BANK.

The growth of the postal savings bank since its creation has been steady and healthy. At the close of the fiscal year 1911 the gain in Filipino depositors was more than 171 per cent. over the previous year, and more than 80 per cent. of all the open accounts were held by Filipinos, as compared with 65 per cent. on June 30, 1910. There was an increase of 90 per cent. in the number of deposits made during the year and 26 per cent. in the amount of the same. In number the withdrawals increased 36 per cent and in amount 20 per cent.

AGRICULTURAL WEALTH OF THE PHILLIPINES.

Prof. Charles V. Piper, of the Department of Agriculture, has just returned to Washington after thirteen months in the Orient. Six months of this time was spent in the Philippines investigating for the Philippine Government the possibilities of procuring forage there for the use of army and other horses. Heretofore, all of this forage has been imported from the United States and Australia. The experiments conducted by Professor Piper leave no doubt that excellent hay can be produced in the Philippines on irrigated lands during the dry season, especially in Luzon. Both Rhodes and Sudan grass thrive wonderfully, and both make excellent hay. The investigations have also shown that unhulled rice can be used to replace a large part of the oats used as horse feed.

Professor Piper is greatly impressed with the agricultural possibilities of the Islands. In speaking on this topic, he said:

"The Philippines are probably the most fertile tropical

islands in the world. They certainly are far richer in this respect than Java, which has long been heralded as the richest tropical island. Negros and Mindanao are undoubtedly the most fertile islands in the Archipelago, but none of them can be called poor. In absolute contrast to the recently published opinion of an eminent American historian, I doubt if there is an equal area anywhere in the United States capable of yielding as much agricultural produce as these islands.

"Notwithstanding these great natural riches, the agriculture of the Islands cannot be called prosperous, and on the whole it is crude. The principal agricultural products at present are hemp, sugar, cocoanuts, tobacco and rice, but the total amount of these products is but a small fraction of the possibilities. Of the 60,000,000 acres of land in the Archipelago at least two-thirds is arable, but only about 3,000,000 acres is in cultivation.

"In sugar alone the Philippines could easily produce enough to supply the American demand. Up until now all of the sugar manufactured in the Philippines has been with small and crude mills, the output being a cheap, brown sugar containing much molasses. Owing to the crudeness of the mills only about one-half of the juice is obtained from the cane. Furthermore, the cane grown is a very small variety, and on rich lands is often stunted by thick planting and by growing other plants between the rows, as most of the mills cannot crush large cane.

"Of copra, or dried cocoanut, the Philippines produce one-third of the world's supply, but owing largely to careless preparation it commands the lowest price of any. Yet the cocoanut industry is undoubtedly the most prosperous feature of Philippine agriculture at present, and is capable of enormous extension.

"The tobacco produced in the Philippines is of peculiar flavor, for which one must acquire a taste. The growing and curing of the crop is very crude, due largely to the short-sighted, grasping policy of the tobacco companies, which does not encourage the native planters to do better. For example, the ordinary native grows tobacco in a careless way, half cures it under his house and the product is usually worm-eaten, half-cured and half-rotten. Under government encouragement one native grew a crop from selected seed, sprayed the plants, and cured the tobacco in a special house he built, obtaining a product of which any farmer might be proud. The buyer of the tobacco companies refused to give the grower any higher price than he paid for the ordinary half-rotten, half-cured product. This example is fairly typical of the way the native is treated, and it is no wonder that he does not improve his farming.

"Manila hemp is a crop of which the Philippines possess a monopoly, and for certain purposes no satisfactory substitute has been found. Wherever a substitute can be used, as in binding twine, Manila hemp is fast losing the market, especially to sisal hemp. The reasons for this are the crude methods of preparing the fiber, which results in an exceedingly variable product, which not only makes it unsatisfactory to the manufacturer, but which enables the buyer to take advantage of the native grower so that he gets but a fraction of the value of his product.

"Of rice there is little to be said except that the Philippines do not produce enough for their own consumption, whereas they should produce a great surplus for export. The extension of irrigation will enable all the rice lands to produce two crops a year where they now produce but one.

"I see little hope of any rapid improvement in Philippine agriculture unless we adopt a policy that will make them prosperous. I doubt if they are any better off in this respect that under Spanish rule. Under the delusion that we are proving to the world that our motives are purely altruistic, we are virtually forbidding American enterprise to develop the richest islands in the world. I am convinced that this is a great mistake, not only because it is an effeminate, un-American policy, but because it is keeping material prosperity from the Filipinos which it is our duty to promote quite as much as their educational and political welfare. To teach the Filipino American ideals, the American business man and the American planter is needed quite as much as the American schoolmaster. The American business man as a rule takes an enlightened interest in developing the agricultural industry upon which his business depends. The old established business houses in the Philippines use methods of dealing with the natives that almost make piracy respectable in comparison. Before American capital will be attracted to the Philippines we shall have to announce a definite future policy. Our present uncertain policy is not creditable to the American people. We permit the Filipinos to believe that in the near future they will be granted independence and that does them positive harm, besides discouraging American enterprise. Unless we are willing to announce that the Philippines are to remain American territory and permit them to be developed by American methods, material progress in the Islands will continue to be very slow.

"We have every reason to be proud of what has already been accomplished in the Philippines. Travel is safe and pleasant, almost every part of the Archipelago being reached by steamers; good roads are being built as rapidly as possible; most of the towns have excellent water supply, and many of them have splendid public buildings; schools are everywhere; the hospital service is the finest in the tropics; and health conditions have been marvelously improved. The standard of Government employees is very high, and nearly every one is working conscientiously for the welfare of the Philippines and the Filipinos. Perhaps the one criticism that can be made is that there is no wholesome body of independent American criticism, due to the fact that nearly every American in the Islands is either a Government official or else does business with the government. Criticisms from the United States are usually based on an erroneous or inadequate idea of the problems that Philippine officials must meet. And native criticism is often so virulent and distorted as to be valueless.

"There is a general recognition of the fact that the development of Philippine agriculture is the only thing that will make the Islands prosperous. This is hindered not only by the fact that American capital is chary of investing in the Islands under an uncertain policy, but

also by an unfortunate rivalry among the different bureaus concerned in developing agriculture so that they do not work in harmony. There is general disappointment at the meager results thus far achieved in improving agriculture.

"The Filipinos as a rule are a kindly and gentle people, whose greatest fault, perhaps, is their lack of business initiative and enterprise. I could find no single example of a corporation in the Islands organized or controlled by full blooded Filipinos. They are accused of being lazy, but under proper management and incentive accomplish as much work as other tropical peoples. There can be no question that the great mass of the Filipino people is at present incapable of self-government, and it is misdirected friendship to encourage them in the belief that they can acquire this development in less than two or three generations under American tutelage. I do not question the sincerity of Americans who argue that the Filipinos should be given immediate independence, but this would be worse than an error—it would be a crime; for the great majority of the Filipinos are still virtually serfs.

"Personally, I think we ought to adopt a policy that will permit the Philippines to be developed as our own West was developed, by attracting the most enterprising Americans. We can do this by announcing that the Philippines are to remain American territory. I see no reason why we should not give the Filipinos local self-government when they are fitted for it, but in simple candor we should tell them what they must do to become ready for it, say, when 70 per cent. of the people are able to read and write English. This will require at least two generations and disabuse the Filipino of the idea that he is ready now and entitled to self-government, an idea that he not unnaturally maintains."

Since leaving the Philippines, Professor Piper has traveled for four months in Java and India, investigating various agricultural problems. During his trip he collected a very large assortment of seeds, especially of grasses and legumes, many of which it is hoped will prove valuable in the Southern States.

COTTON GOODS IN ASIA MINOR.

(From Vice Counsul Lucien Memminger, Smyrna)

American manufacturers of cotton textiles have now an especially favorable opportunity to regain the trade here which they have lost in recent years. The Smyrna market is important, as the buyers here supply a large population in the interior of Asia Minor and in the islands of the Grecian Archipelago.

Fifteen years ago only the American Cabot A was selling in this market. Since then many European manufacturers have started to sell an imitation here, and to-day 50 per cent of the total amount of Cabot imported comes from Italy, 20 per cent from Austria and Spain, 10 per cent from Holland and Belgium, 10 per cent from Manchester, and 10 per cent from the United States. Ninety per cent of all the European Cabots on sale here are marked with the word "Cabot," and some of them even with the words "American Cabot," although the cloth thus marked was not manufactured in the United States.

The following American cotton goods are imported into Smyrna: Cabot A, Ramapa C. C. C., Great Falls E., Lyman Mills goods (drills), cotton ducks of 8, 10, 12, and 15 ounces, Nashua flannelettes, Lanett H., Columbus L. L., and other new American brands which are just beginning to be introduced. Two years ago the importation from America of light sheetings, such as 4 and 4.5 yards per pound, was begun, because the price of the 3-yards sheeting with Cabot A, etc., was high. The general opinion of the market is that the 4-yards American sheeting will have a very good sale, because the quality is suitable for this market.

DEMAND FOR COTTON PRINTS.

Some orders for American cotton prints have recently been placed for the first time. For these goods buyers are very particular as regards designs, colors, and finishes. They desire dark grounds with large designs of flowers and fruits in bright colors. The season for orders is from October to December, and goods must be here between the middle of February and the end of March.

Cotton prints have been obtained principally from Manchester, which supplies 80 per cent of the total. The balance comes from Spain, Italy, Austria, and Germany. The only cotton prints with which American manufacturers could compete are those which come from Manchester. These goods run from 29 to 31 inches in width, and in pieces of 50 yards and upward. They are packed in bales of 100 to 150 pieces, to save freight expenses and packages.

In flannelette prints Italy leads, with Germany second. Italy practically controls the trade, because the goods are of a cheap quality and the manufacturers are complying with the specifications of the buyers and are selling the goods with nine months' credit.

Smyrna is an important market for cotton prints, the consumption amounting, according to information obtained from importers, to about $5,000,000 annually. The large houses of Smyrna have purchasing agents in Manchester, who negotiate directly with the factories, in some instances buying the thread at one factory, having it made into cloth at another, and printed at still another. The goods are thus often obtained at a most favorable price. Payments for Manchester cotton prints are on a cash basis, though the Calico Manufacturers' Association often sends goods, payment after delivery of the same.

TRADE CONDITIONS.

It is very likely that any large American manufacturer of prints could obtain a share of this trade if he so desired and would comply with the market's requirements, especially now that freight rates from the United States to Smyrna are cheaper than from England to Smyrna (Austro-Americana via Trieste, or Greek lines via Piræus).

American printed drills may have a fair consumption in this market. In 1910 seven bales of remnants were shipped to this port and were sold at once, and many buyers are to-day anxious for more, but can not find any.

Merchants in Smyrna buy all their goods with a credit of three to nine months, and if American manufacturers would accept these terms, or at least payment against documents with 10 days' sight draft, there is no doubt that business would greatly increase. There are many substantial houses in Smyrna handling cotton goods which have been established for 25 or 30 years and have a good capital.

The following statistics showing the imports of cotton goods from the United States to Smyrna and the islands of Mytilene, Chios, and Samos in 1910 are approximately correct: Sheeting (3 yards), 700,000 yards; sheeting (4 yards), 150,000 yards; drills (2.85 yards grade), 120,000 yards; flannelette, 40,000 yards; colored drills; 160,000 yards; cotton duck, 480,000 yards; total, 1,650,000 yards.

The importations from the United States have been steadily decreasing. A dealer who until two years ago imported 70 to 80 bales a year of 3-yards sheetings only imported 40 to 50 bales during 1910. Another dealer, who imported 150 bales of Cabot A in 1905, now imports only 45 bales. This decrease is believed to be due to the credit facilities offered by European manufacturers and the fact that they are selling imitation qualities of Cabots under a similar name.

CHINESE FINANCE AND TRADE IN 1911.

From The North China Daily News.

Although the revolution in China has dimmed the perspective of all other events in the Far East, the year 1911 will remain notable for the surprising and kaleidoscopic changes in the world of finance and trade in China and the Far East. The tornado of the rubber boom of 1910 had wrought fearful havoc in a market which was already weakened by the overtrading of the past few years, and when the year closed it had left the tide of trade at its lowest ebb. The Ching Yue failure and the disorganization of the native banking system, which still remains unorganized, did not contribute to leave the position in a healthy state, and the events of 1910 exposed the state of our trade to its bitterest trial. Again, the inefficient governmental finance and currency and the uncontrolled issue of paper money were lasting evils whose cure has been continually attempted but not even yet effected. Further, there was famine in the land to deplete the already depleted resources of the Chinese buyers, for the relief of which foreign money had to be contributed. At the close of the year the godowns of the merchants were chock full of goods awaiting buyers, while the Chinese buyers, though anxious and willing to do business, had neither the facilities nor the wherewithal to do commerce on the usual scale. Dark as the position was there were several silver linings in the cloud as the new year opened in 1911. The crops in the country were considered good, and as such were expected to minimize the effects of the famine. The surrounding countries like Japan were recovering from the dog days of the previous year, and it was not unnaturally expected that the improvement would prove contagious. The romance of the Soya Bean had only been partly written, and it was very confidently expected that the Soya Bean would very prominently figure in the prospective revival of trade. Above all it was felt that, especially in the cotton trade, the Chinese had not bought at all and that they should inevitably buy in 1911.

CHINA'S BUDGET.

Any improvement in the finances of the Empire proportionately and beneficially affects the finances of trade. Consequently, when for the first time in the history of China a national budget was drawn up and discussed openly it was held as an augury for a great future for trade. Once the muddle of the national finances are cleared there will be greater supervision over banks, greater facilities for trade and greater confidence in the position of the Chinese merchant—all of which would tend to the increase in the volume of trade. It is in this spirit that foreigners watched what must be described as the budget comedy, although it was seriously played in the Tszechengyuan. The Provincial Governments were all asked to present their budgets, and by a curious coincidence every one of them revealed a deficit. Thus when the Imperial Budget was presented to the Assembly there was a huge deficit,—a revenue of Tls. 296,962,722 with an expenditure Tls. 333,058,364. The budget was discussed by the Assembly in a very business-like manner, and was so amended that instead of a deficit of thirty-seven million taels a surplus of Tls. 3,461,981 was shown. The Assembly ignored practical politics, just as the budget was presented on estimates unsupported by any shadow of accounts. There was no organized revenue collecting agency, nor a properly constituted board of auditors. The viceroys and provincial assemblies were wrath at what they considered the interference of Peking with provincial autonomy, and before any final step could be taken to devise methods toward a proper adjustment of finance other events happened which directly or indirectly led to the revolution.

THE LOANS.

The organization of the finances of the Empire implies tacitly the readjustment of several matters, and that is precisely what the Peking Government set itself to do. The opportunity was ripe and when Tang Shao-yi resigned the post of Minister of Posts and Communications, Sheng Kung-pao, who took charge of the office, initiated what is generally known as the "business government." American interest in China had just begun to take definite shape, and the eagerness of the American group of financiers to loan money to China on her own terms had wrought a change in the attitude of the other loaning nations. The competition among the different loaning Powers to let China borrow of them was worked to fever pitch, and Peking was exalted to the position of doling out favors in taking the money instead of receiving favors. It is a truism that China with all its resources was poor, and that if the Empire is to advance it could be done only with the aid of foreign money. Sheng realized this to the fullest extent and set to work in right earnest, although his pace was too quick for the slow moving Chinese. The conclusion of loan after loan, until the events which precipitated his downfall, staggered all who knew the dilatory methods of Chinese statemanship; and no doubt, if he failed, it is entirely due to causes over which he had no control. Before he had been less than three months in office he contracted a loan with the Yokohama Specie Bank for Y. 10,000,000, the arrangement with Messrs. Dunn, Fisher and Co. to take up the balance of Tls. 3,000,000 of the Peking-Hankow Railway Redemption loan having been concluded on January 6. On April 7 the Great Northern and the Eastern Extension Telegraph Companies loaned £500,000 to the Imperial Telegraph Administration on the security of the latter's foreign traffic for the next eighteen years. Several very necessary improvements in the Chinese telegraphs were delayed owing to lack of funds and this sum was to be devoted to them. The Currency loan, which had been negotiated seriously ever since Sheng took office on January 6 was signed on April 15, the details of which have been already given in the course of our review of the events in China. So far the Chinese Government has only received £400,000 out of £1,000,000 which was arranged to be paid at once, and this sum has been aimlessly spent on the so-called scheme of the colonization of Manchuria. The rest of the amount

was to have been paid on the condition of the Chinese Government accepting the scheme of the bankers for the reform of the currency of China, and a conference for this purpose was held in London, in which Mr. Chen Chin-tao, vice-president of the Taching Bank, participated. Before any definite scheme could be adopted the revolution put an end to this loan coming to fruition. Within a month after the signing of the Currency Loan agreement the question of the Hukuang railway loan was re-opened, discussed and an agreement was arrived at. The loan for £6,000,000 was signed on the security of the revenues of Hunan and Hupeh with the proviso that a further loan of £4,000,000 could be floated should circumstances necessitate it. The total length of the railway to be constructed was 1,124 miles and was composed of two sections. The one was to have started from Wuchang through Yuchow, Changsha to Yichinghsun, where it will join the Canton-Kowloon line, and the the other was from Kusangshui on the Peking-Hankow line, and was to have proceeded through Siangyanfu and Ichang to Chengtu in Szechuan. Great Britain, Germany and the United States were to take part in the construction of the line; engineers were appointed, and even preliminary surveys to a certain extent were made. The credit of China in Europe could be gauged by the fact that this loan was over-subscribed at 100½ at five per cent. The conclusion and flotation of this loan coincided with the inauguration of the policy of the nationalization of railways in China, a policy that was the best suited for the needs of a country like China, and one against which the agitation culminated in the present revolution. There were numerous other railway activities, details of which are given in our review of China in 1911.

EPIDEMIC OF BORROWING.

The agitation against Sheng's loans started in Szechuan and Canton and spread like wildfire throughout the country. It is a remarkable fact that those who opposed the loans had no objection to foreign loans *per se;* only, much more than the Peking Government they resented all efforts of the lenders to control the expenditure of the vast sums loaned. Just when the provincial gentry were opposing the loans to Peking they had any number of provincial schemes for all sorts of impossible purposes, such as the bridging of the Yangtze at Wuchang, and they wanted the foreign banks to loan them funds for the purpose. The foreign banks were besieged for the larger portion of the year with the emissaries of the provincial viceroys and governors and gentry, every one of them for funds for some purpose or other. They had no guarantees to offer, nor were they willing to offer any. The success of American influence in bringing about the currency loan and hastening the Hukuang railway loan led to a number of wildcat schemes whereby the millennium was to be reached in China with American co-operation. Prominent among the schemes were the Chino American Bank and the Chino-American Steamship Company, both of which were supposed to have had the blessings both of the Peking Government and the local gentry. While moneys collected for the several provincial railways were being shamelessly squandered, new collections were continually being proposed. Deadlocks due to inefficient management and swindling were evident in the case of Shanghai-Hangchow-Ningpo Railway, the Chekiang railways and last of all the Szechuan railway, whose accounts were a marvel of inconsistency. The Ex-Taotai Tsai Nai-huang has still to explain how he expended the three million taels borrowed from the foreign banks on the occasion of the Ching Yue crisis. The native banks were still in the same disorganized state as ever, culminating in the Yusoo bank refusing to pay its own native orders. Thus borrowing only remained, and trade and finance had not taken one step further for the better.

THE FINANCE OF TRADE.

While the loans concluded in Peking gave high hopes of helping commerce, the practical result was absolutely *nil.* Trade had to go on under the same system as ever, with the same unchecked issue of notes, undefined native orders, and suject to the restrictions put on the trade by the iniquitous system of likin. Slow as the progress was, however, there was still some progress, and in the early months of the year the foreign dealers in Shanghai and the outports were in a comparatively enviable position of having cleared a good portion of their goods although new business was very slow in coming. Much was hoped from the Soya Bean trade in Manchuria, for Manchuria, in spite of the fact that it had belied the exaggerated value placed upon its resources after the Russo-Japanese war, was still a very important outlet for our trade. The prosperity and buying power of the Manchurian peasant depends on the success of the bean crop, and when in the middle of January an epidemic of plague was reported from Manchuria it came as a bolt from the blue. Kirin, Changchun and Mukden suffered from the ravages of the fell disease and it extended to Shantung and the South. Although there was a notable decrease in plague by the end of March it was enough to disorganize all business and shipping, and the position was left worse than it had been at the beginning of the year. The uncertainty of the American cotton crop consequent on the failure of the crop of the season 1910-11 contributed to the stagnation of the cotton trade—by far the biggest trade in China—and the prediction made in some quarters that we were going to see famine prices did not help the trade very much. The cotton trade was very dull until late in the year when it was ascertained that there would be a bumper crop in the States, even though the great fall at that period caused still further complications. Just when cotton was coming down to 8d. the Chinese dealers commenced to make forward contracts, and naturally, when it began to fall below 5d. the dealers were sorry not to have waited later and attempted to get out of their contracts if they could. Just when the second recovery after the plague was well under way came the unprecedented floods in the Yangtze, which had a far deadlier effect in retarding the progress of trade than even the plague. Whole provinces were devastated, and, what was worse, a rice scarcity ensued, when the price of this necessary of life was pushed beyond all reasonable limits. The scarcity of rice unfortunately

became common in all rice-producing countries, for beginning with Japan, there was a shortage of crops in Siam, Indo-China, Burma and India.

FAMINE AND FLOODS.

The effect of the floods was the accentuation of the already existing distress, and to curtail seriously the purchasing power of many a district which had been expected to buy freely. The floods let loose the bands of robbers and pirates that always infest China, and as a natural consequence the insecurity in the country increased. Concurrent with the floods, and partly caused by them, was the open expression of discontent with the state of affairs in the country, which was not a little responsible for the outbreak of the revolution three months later. The disturbance caused by the floods was contagious, and spread in the country through the medium of the scarcity of rice which began to be felt all through China. The disturbances in Swatow, Canton and other places in the Empire, although easily quelled by the Imperial Government did their best to augment the feeling of insecurity in the country, and as such curtailed the volume of trade which would have been possible under normal conditions. But the difficulties were soon got over, and it was a surprising fact that within a few weeks after the occurrence of the floods even the Yangtze Valley, which was most affected, began to buy. Thus in a short time there was a veritable revival which ran through September, in spite of the fact that Szechuan was in the throes of a disturbance caused by the opposition of the gentry to the railway nationalization policy of Sheng.

THE HOME STRIKES.

It has been almost a fatality that in the past year hopes were raised only to be blighted at the earliest opportunity. Just when the revival was expected to tell, another circumstance quite unconnected with events in China hopelessly interfered with the progress of our trade, and wrecked all our hopes of making up for the losses and dull days of the past. The home strikes in August seriously interfered with the shipping of goods to the Far East, and the Manchester Chamber of Commerce informed all the Eastern ports of the inevitable necessity for delay in the shipment of cargo. The labor unrest generally in Great Britain caused a serious check to our revival at this period, and with the revolution intervening put off indefinitely the chances of relieving ourselves of the burden of stocks. Just before the strikes the merchants thought that the prediction that the Chinese must inevitably buy, whether cotton was high or low, was being fulfilled. They were anxious that goods should arrive before cotton went much lower than it was already. Accordingly they were hurriedly making forward contracts and the Chinese were equally eager, from different reasons, to conclude the same contracts. With the buyer willing to buy and the seller willing and anxious to sell there was a tense period in Shanghai when suddenly the revolution, which stopped all trade for the remaining three months of the year, broke out.

THE REVOLUTION AND TRADE.

When the news of the revolution reached us it was considered as "just another," one of the usual risings in China which throw one locality into confusion and are then put down with comparatively little delay. When the crisis due to the demand for Mexican dollars began the situation assumed quite a different complexion. On October 16, the second week of the revolution at Wuchang, began the run on the banks in Shanghai for Mexican dollars. It was unfortunate for Shanghai that the Shanghai native bankers who were permeated with revolutionary sympathies had sent much more money than they should as bankers to relieve the crisis in Hankow. For, when the revolutionaries took Hankow a serious financial crisis was the first result, and paper money became valueless. Both to relieve the crisis and to carry on the revolutionary programme, it was necessary to have funds in silver, and it was not known at the time that the Shanghai banks had dispatched all their available silver to Hupeh. Any way the local holders of native bank notes knew that paper money had no value at all in Hankow, and by an inferential process of reasoning came to the conclusion that bank notes in Shanghai, foreign or native, must be equally valueless. The result was a run which the native bankers hardly expected or were prepared for.

BANK NOTES AND RESERVE.

Until now the question of the uncontrolled issue of banknotes with inadequate reserves had only been academically discussed. The Chinese bankers had been lectured on the evils of such a system, which they had listened to unconvinced for they found that their notes had been freely accepted in the market. The capital of the native banks in Shanghai is extremely disproportionate to the amount of business they put through, and banking business on this scale was possible only with the aid of the banknotes. These banknotes became, in other words, the easiest means of furnishing capital to the banks, as the latter had never made even the pretence of having a reserve to cover these note-issues. So long as the notes were accepted as money the business of these banks ran smoothly, but when the notes were considered of no value and the note-holders rushed in to be paid in silver the banks found themselves in a position quite new in their experience. Very soon the banks had to close their doors, some of them permanently, and some with a promise that they would pay at a later date. Having worked under this system of no reserves, the payment of the notes meant in other words the reduction of the capital of the banks. In the majority of cases over half the capital of what were considered the soundest of native banks immediately disappeared. No wonder then that, combined with other causes, mainly political, this situation with regard to the banks brought about a crisis unparalleled in the history of China trade.

NATIVE ORDERS AND CARGO.

The native orders held by the foreign merchants as payment for the goods delivered and in godowns could not be paid, and merchants did their best to hold back the

goods that had not been taken from the godowns. Of course, new business was neither possible nor advisable in the circumstances, and as after a delay of nearly five weeks fresh cargo began to arrive from home the position for the trade grew still more serious. The arrival for a few weeks after the revolution comprised not only the usual amount of cargo, but also cargo held back owing to the incidence of the strikes. Still there was no certain evidence that the revolution was to assume the magnitude it did later, nor that the effect of it upon trade would be so detrimental as it has proved itself to be. In this manner goods arriving and accumulating in the godowns, the merchants waiting daily in hope of a better turn of events.

THE FINANCIAL CRISIS.

At the same time the financial crisis was growing more acute day by day. Within three days after the beginning of the run for dollars fourteen banks, out of the total of thirty-six functioning in Shanghai, closed their doors permanently. It was inevitable that the same state of affairs should prevail in every city in China, and banks by the score closed their doors, thus frustrating every chance of an interchange of funds, which would in the ordinary course of events have taken place. With the capital in the banknotes gone, the native orders could not be paid, and although every bank claimed that its assets were sufficient to meet all its liabilities, they requested time to realize on their securities. In the meantime, the foreign banks who did not want to precipitate the situation, delayed pressing for the payment of the "chop" loans amounting to nearly Tls. 9,000,000 owing by the native banks. Business thus absolutely stopped and every attempt to move was checkmated by the position of the native banks and the unpaid native orders and "chop" loans.

THE ADJUSTMENT.

The dispatch with which they adjusted the position is a credit to the native banks, and although fourteen closed their doors, the rest managed to get on their feet again, and began to issue native orders on cautions lines. The "chop" loans were being gradually liquidated, until on November 15, all the twenty-two banks had met their engagements in full, and had also paid their native orders. The assets of the banks that failed were being gradually realized, the amount thus realized going into the liquidation of the "chop" loans. The native orders issued by these banks were also met, not by the banks themselves, but by the Chinese dealers who presented them to the foreign merchants in payment for goods of which they took delivery. Then, with the fall of Nanking and the fall of Hanyang leading to the armistice and the negotiations for peace, it was expected that things would take a better turn, especially as the agency of the native banks was available to do business. In normal circumstances there was no reason why there should not have been a resumption of trade if only to a small extent.

ANARCHY AND INSECURITY.

Signs were not wanting that such a happy consummation might come to pass. There was a small movement of cargo, partly by way of a feeler, and partly to relieve immediate needs in certain localities. The wild talk of repudiating forward contracts by Chinese dealers owing to the revolution had given place to a more reasonable attitude of waiting and looking for the future turn of events, although it was not possible to settle the question with the Chinese. The foreign merchants were quite willing to do all they could in the way of granting facilities to the Chinese dealers who were now hit by the revolution. But unfortunately for the trade and the Chinese dealers, the latter paid more attention to politics which they did not comprehend than to trade which they were accustomed to do. Money certainly began to move and Shanghai was well replenished with funds. But whatever funds came in went into the revolutionary coffers, and all moneys that should have been devoted to commerce were devoted to the unproductive military expenditure. The turmoil in the country brought to the surface once again the scum of the robbers whose depredations grew the bolder the moment they recognized the upsetting of the old government. There was no safety in transport, no safety in town or village, and every one rightly considered that the safest place to keep money was in the toe of a stocking. Even there it was not safe from the depredators. In the West River there was a repetition of events that had long ago been forgotten, and in the Yangtze Valley there was no parallel for what was happening. Thus, even with the facilities for trade in the shape of native banks and demand, for cargo was at the lowest ebb in the interior, business was impossible.

TRADE AND PARTY FINANCE.

The exigencies of the funds of revolutionary party, to which the merchants in Shanghai belonged as a body, did not contribute to the settling down of the merchants in their usual business. The party had been badly in need of funds ever since the revolution started and at first the merchants, led on by mistaken estimates as to the cost of the revolution, voluntarily and gladly subscribed to its funds. But as time passed, and more and more funds were needed they found that their resources were not enough for the needs of the cause. Already a good portion of the funds that ought to have been used in the channels of trade were diverted toward the party chest; and as business men they found that it would not be safe to let their enthusiasm for the cause run away with prudence. But when the need grew more pressing, and other methods than those of peace and persuasion began to be resorted to it was only natural that the Chinese merchants should refrain from trade and the consequent display of wealth. It is this factor, added to the general insecurity in the land, that retarded the progress of trade at a time when there were facilities enough to carry on commerce.

LOANS ONCE MORE.

The Imperialists and evolutionaries were equally in need of funds, and once again the negotiations for foreign loans become evident. As a marked contrast to the position at the beginning of the year when all the powers were vying with one another to lend money to China, the two parties in China were soliciting without result. The Hukuang

loan, although floated, was not paid over to the Chinese Government at the time of the revolution for it was primarily to be devoted to the buying of railway materials in the countries of the nations that loaned the money and had charge of the construction. The currency loan was postponed *sine die* as the revolution was considered an instance of *force majeure* which permitted the loaning nations to withdraw, at least temporarily, from the contract. It was an open secret that the Chinese Government was badly in need of funds just before the revolution, and it was expected that the balance of the currency loan would have come in handy for the needs; and it was reported at the time that the Government had accepted the proposals for reform drafted by the Conference of bankers in London, and that the money would be paid in on or about October 15. Is it any wonder that when the revolution started the Chinese Government found itself "left" and was at a loss how to make things go? Negotiations for a fresh loan were made, and a loan agreement for £6,000,000 was signed with a Franco-Belgian syndicate with Baron Cottu at the head. The success of the revolutionary party in the interim, and the hold that anti-Manchu ideas gained over the country—at least the articulate portions of it—was potent enough to make all attempts to float the loan in Europe a failure, and the Peking Government had to look to the Manchu hoards and the Palace wealth to save the situation. The revolutionaries were distinctly in a better position, but even they had to find more funds; and in their turn they attempted foreign loans, although they at first warned the foreign powers to maintain the strict attitude of neutrality, and not help the Manchu Government with funds. All such collective attempts failed, although merchants willingly, and in some cases unwillingly, contracted loans from the foreign banks, and funds thus obtained went into the coffers of the revolutionary party.

TRADE WITH PROSPECTS OF PEACE.

It was in this unsatisfactory position that the year was drawing to a close when the peace negotiations opened and brought another ray of hope. The accumulation of stocks was less heavy at the close than before, for arrangements were made to delay shipping and, whenever possible, contracts with home manufacturers were cancelled. The piece goods auctions which are a prominent feature of our trade had to be completely stopped during the last eleven weeks of the year, and entire businesses had to be carried over by the banks. Thus, when the peace negotiations opened in Shanghai, and it was learned that it was possible to find a point of contact between the two parties—at least it was thought so—the trade began to look up. Demand in the country, especially in the North, was insistent, and there was acute suffering from want of cargo of the commodities which are the very necessaries of life. Thus it was that a considerable business, comparatively speaking, was done at the time of these negotiations, although a few days later in 1912 it was definitely known that the negotiations had fallen through, and trade relapsed into a comatose state.

THE VOLUME OF TRADE.

In the absence of figures for the fourth quarter of the year the trade figures for China for the year must be more or less approximate. The customs revenue for 1910 was Hk. Tls. 35,571,879; the total trade for the year was 1,008 million taels, and the value of the direct foreign trade was Hk. Tls. 843,798,222. The revenue of the three quarters of 1911 totals Hk. Tls. 27,874,839, and it can easily be seen that there must have been a serious shortage in the last quarter. Reports from authentic sources put the revenue for the last quarter at Hk. Tls. 6,500,000. The duties on imports and exports during 1910 were Tls. 11,483,976 and Tls. 12,795,119, respectively, while for the three quarters of 1911 the figures were Tls. 9,710,848 and Tls. 9,936,793 in import and export duties. It is possible, in view of the fact that a good deal of the goods delayed by the strikes arrived in the first half of the last quarter, although shipments were delayed later, that the imports of merchandise may reach somewhere near the level of 1910. But, there will be a serious shortage in exports, owing to the unsettled state of the country precluding the movement of produce. In short, the foreign trade figures may revert to those of 1909, which were 86.65 million taels below those of 1910.

OPIUM.

A definite policy resulting in the agreement of May 7 was inaugurated during the past year, and the trade had to pass through very exciting times. In the beginning of the year it was found that with the reduction in the quantity of Indian opium prices had automatically risen, and instead of a deficit the Government of India had a surplus of over £2,500,000 over the estimates for this head. The Chinese Government wanted to take a quicker pace, and with a view to ascertaining how far China had kept her portion of the pact in the suppression of poppy cultivation Sir Alexander Hosie was touring the country. His report showed that China had done wonderfully well in this, and as a consequence the Opium Convention, by which the trade in the Indian drug will be extinct by 1917, was signed at Peking. The number of chests earmarked for China for 1911 was 30,600, and it was arranged that this should be reduced at the rate of 6,100 a year. There was some trouble at the beginning owing to the anomalous position in which opium certified for China was placed as compared with uncertified opium. But the agreement led to a corner in the trade and prices jumped up, reaching Tls. 4,000 per chest in October. There was a great deal of complaint against the Chinese authorities for the illegal methods they took to the detriment of the trade in the Indian drug. But when the revolution came all trade in the product stopped until there was a recrudescence of smoking in Kuangtung and a portion of the Yangtze Valley. But even this demand was not of sufficient proportions to relieve the trade of the heavy burdens under which it was groaning.

ADULTERATION OF COTTON.

The bane of the cotton trade in China has always continued to be the heavy watering of cotton by middlemen to increase their profits. Owing to the scarcity of cotton and the failure of the American cotton crop in 1909 and 1910

cotton buyers were at the mercy of the watering gentry, and all efforts to stop this evil were vain. The foreign buyers formed a protective association called the Cotton Anti-Adulteration Association, and by dint of hard work they were able to induce Peking to issue an erict against watered cotton. There was some difficulty in inducing the Chinese to join the association, but in the meanwhile the association began work in right earnest. A testing house was established, and with the co-operation of the mill-owners and buyers for export, and the active assistance of the customs, it might safely be said that the evil is practically at an end.

JAPAN.

It is a truism in these days of expanding international trade that the prosperity or otherwise of one nation affects that of another, however remote; and when two countries are situated so near to each other as China and Japan, and an expanding trade has been built up between the two, it is no wonder that Japan should have keenly felt the effects of the revolution in China. Convinced that she should play the leading rôle in the trade of China, Japan has been arduously working towards increasing her commercial hold over the country, and it must have been gratifying to her nationals that a great measure of success had attended such effort. Starting long after nations like Great Britain and Germany, Japan, although not the first, has still a prominent interest in the trade of China; and the proportion of her trade with China, as compared with her total trade is many times that of the proportion of the trade of any other European country with China to its total trade. In spite of this setback the total of Japan's trade in 1911 was Y. 960,617,000, the exports being Y. 447,044,000 and the imports Y. 513,573,000. This total is Y. 30,000,000 over the figures for 1910, and it is a matter for surprise that there should have been any increase at all.

THE NEW CUSTOMS TARIFF.

The outstanding feature of the year was the coming into force of the new Customs Tariff on July 17, and the consequent remodeling of the commercial treaties. It is needless on this occasion to go into the opposition and the dissatisfaction that the new tariff threatened to create between Great Britain and Japan, and the resulting discussions between the foreign offices of the two countries to devise methods so that Great Britain should have the benefit similar to that of the conventional tariff arrangement, although she was a free-trade country. On April 5 the Anglo-Japanese Commercial Treaty was signed, and although not very satisfactory to British trade it made the position better than it was feared it would have been under any other arrangement. Since then there has been a plethora of commercial treaties between Japan and other countries. The treaty of Commerce and Navigation, however, with the United States was signed on February 21, and in May a temporary tariff arrangement was concluded between Japan and Canada. Germany, Sweden, Norway next followed, and provisional treaties were made with Belgium, Switzerland and Denmark. The old treaty with France does not expire until 1912, and consequently any arrangement had to be postponed till the following year. In short, arrangements were made with all countries so that the Customs Tariff of 1911 might be in full operation by the end of the present year.

THE BUDGET AND TAXATION.

Not too soon did the Government in Japan realize that any further increase in revenue was impossible, and it is gratifying to note that the budget has been framed on that assumption. The Government took measures in framing the budget to keep down the expenditure so that revenue and expenditure should balance each other. The army and navy in the past year did not get overmuch, as a result of the clamors of the war party, and even in the coming year only ninety million yen, instead of 350 million asked for, has been granted. The prominent financial feature of the year was the floating in London in January of the South Manchuria Railway Debentures for £6,000,000. The loan was floated at 98, and in spite of the feeling due to the new Customs Tariff in commercial circles in England the sum was over-subscribed. A very wise decision to postpone the widening of the gauge of the Tokio-Shimonoseki Railway was come to last year, as certainly the finances of the country would not permit of such a vast expenditure. The Yokohama Specie Bank increased its capital from Y. 24,000,000 to Y. 48,000,000. Some of the gambling evils in the Tokio Stock Exchange were drastically put down, and a number of new schemes like the municipalization of the Tokio tramways were adopted or seriously discussed. The trade of Korea has shown a gratifying increase, the trade for the eleven months ending November being Y. 65.5 million, as compared with Y. 60 million for the year 1910, and Y. 53 million for 1909. A new company law intended to improve the position of companies in Korea was adopted in the early part of the year.

HONGKONG.

When the year opened the finances of the colony were disorganized owing to the opium policy of the Home Government, and the colony was seeking fresh fields and sources of taxation to meet the necessary expenditure. It was a relief that the Home Government allowed £12,000 as compensation for the loss caused by the drop in opium revenue, and on March 16 a bill to impose increased duties on liquor was introduced in the Legislative Council. As with the ports in China, the revolution has detrimentally affected the commerce of Hongkong, and during the latter part of the year the colony passed through strenuous times. The Hongkong Chamber of Commerce celebrated its jubilee in May. The National Bank of China, one of the oldest institutions in Hongkong, went into voluntary liquidation.

MALAYA.

But for the abnormal expansion of the rubber industry the progress of the trade of Malaya in 1911 would have showed a decrease instead of expansion. The total trade (estimated) for 1911 is $735,000,000, and is over $71,000,000 over the figures for 1910. Tin and rubber contribute to the increasing prosperity of Malaya, and consequently it is not very gratifying to note that the exports of tin should have been gradually decreasing during the past six years. The exports of tin for 1906 amounted to 816,783 piculs, and since then the reduction has been gradual until last year the exports were 730,159 piculs. Owing to a tin corner prices reached a very high level, although they came down later. Probably owing to the undue attention paid to rubber, there has been a diminution in the output of produce, and rice, tapioca, copra and gambier all show a reduction in quantity. Rubber has had a remarkable advance, and in the main contributes to the prosperity of Malaya. The outstanding feature of the year was the dropping of the legislation against the Shipping Conference, and the arrangement by which the companies forming the conference give up the objectionable features of the rebate. Scandals in connection with the promotion of rubber estates were rife in Singapore as in Shanghai, and reconstructions have been the order of the day.

SIAM AND INDO-CHINA.

A scarcity of rice made itself severely felt in the two countries, and in Indo-China the Government had to prohibit the export of the commodity. The depression in other parts of the Far East made itself felt in these two countries, and rice being the principal commodity of export it is natural that there should be shrinkage in the total of the foreign trade of these countries. The work

on the Peninsular Railway to connect Bangkok with Malaya was proceeding satisfactorily, especially in view of the fact that it was decided to stop further work in connection with the unremunerative northern line. A loan for 200,000,000 francs was sanctioned for improvements in Indo-China, and it is presumed that expenditures on railways and public works will take up the bulk of the amount.

MISCELLANEOUS.

Among other items of interest was the abolition of gambling in Kuangtung and the partial success with which the measure was attended. The agitation against the importation of Chinese pork into Great Britain led to an inquiry into the conditions under which Chinese pigs are reared by a Board of Trade officer. The result of the inquiry was in favor of the continuation of the export of Chinese pork. The Taching Bank had to go to the help of the Tientsin merchants to pay the amount outstanding to the foreign banks and merchants ever since the Boxer troubles. The Yuchuanpu, or the Department of Posts and Communications, took up the Postal Service in China, which was hitherto under the Imperial Maritime Customs. The revenues of Kiaochou were approximating to the expenditure of the colony and it was expected that Germany's actual contribution for 1911 would fall Mks. 500,000 short of the estimate. A new law with regard to the German companies in the Far East reducing the denomination of shares in public companies registered in German colonies from Mks. 1,000 to Mks. 200 has been passed. An agreement between France and Japan for the mutual protection of trademarks in China was signed in March. The Dutch colonies and British North Borneo mainly profited by rubber, and trade has shown no new departure in these places. There was a famine in Siberia in October. Efforts have been made in the Philippines more vigorously than ever to improve the islands commercially. The trade has shown a very remarkable development, although there is a subsidence in the boom in placer mining. Rubber cultivation has been in a way successful, although tobacco and agriculture seem still to constitute the wealth of the country. Interest in the islands with a view to the investment of American capital for the advancement of the islands has been worked up, and it may lead to good results. The shipping service has been improved by the additional Japanese steamers calling at Manila and other Philippine ports, and the North German Lloyd steamers calling at Manila on their way home.

EXCHANGE.

At the beginning of the year the prospects of trade were considered favorable, and naturally much more than the dull level of exchange was expected. Excepting for a week in October, 1910, when the corner in silver by the Bombay operators first made itself felt, the rates for the past three years have been on a monotonously low level; and as it happened, at least in China, the trade has been a very unimportant factor in the fixing of exchange for some time past. At the beginning of the year much hope was placed on the Manchurian bean trade, which was expected to necessitate an increased demand for silver and consequent advance in the general rates. The plague gave a rude shock to such hopes, and when the Currency and Hukuang loans were concluded it was not unnaturally expected that exchange might look up once again. The political troubles in the country which were of small dimensions until they culminated in the great revolution, curtailed credit and stopped the free movement of trade. Exchange did not show any marked fluctuation during the year; as a matter of fact the downward movement that began at the close of January was consistently continued with slight variations until late in the year when it moved up. And this upward movement was due rather to the rise of silver than to the ordinary causes connected with trade. During the revolution there was a big demand for Mexican dollars, and the tael rate rose to as high as $82 for $100. The lowest and highest rates for T. T. during the year were 2/4 5/16 in February and 2/5 13/16 in November and December. The following *re* the exchange variations for T. T. during the year will be found instructive:

	Highest.	Lowest.
January	2s. 5 7/8d.	2s. 4 7/8d.
February	2s. 4 7/8d.	2s. 4 5/16d.
March	2s. 4 13/16d.	2s. 4 3/4d.
April	2s. 5 1/8d.	2s. 4 3/4d.
May	2s. 5 1/16d.	2s. 4 13/16d.
June	2s. 5 d.	2s. 4 3/4d.
July	2s. 4 7/8d.	2s. 4 5/16d.
August	2s. 4 9/16d.	2s. 4 9/16d.
September	2s. 4 11/16d.	2s. 4 1/2d.
October	2s. 5 3/16d.	2s. 4 9/16d.
November	2s. 5 13/16d.	2s. 5 1/4d.
December	2s. 5 13/16d.	2s. 5 9/16d.

T. T. opened at 2s. 5 13/16d. on January 1 and closed at 2s. 5 11/16d. on December 31.

SILVER.

The year opened with the speculative group that cornered silver in 1910 still dominant, and any tendency to advance in price was brought down by the readiness of the group to unload the heavy stocks held by them. The plague in Manchuria, the persistence of the Government of India in postponing the purchase of silver for coinage, and the steady flow of gold into India, which was really an unexpected turn in the ordinary course of events, and last of all the non-payment of the much longed for Chinese currency loan, all contributed to keep the cornering group on tenterhooks. There was one consolation, however, that the production of silver did not show any marked increase, and there was every possibility that if they held on they could unload the stocks without much loss to themselves. The year up to October was a dull and dreary routine, when two factors came to prominence, the demand for Mexican dollars among the Chinese, and some Continental purchases of silver for coinage. Large quantities of British dollars were minted in Bombay and imported to Hongkong to replace shipments to the ports of China to meet the demand for silver there. The stock in Shanghai and China has not varied very much, although about August a small stock was sent into the interior. When, owing to the demand for dollars, silver was pushed up, the China banks and others began to sell in the expectation that prices could not be maintained for any length of time. All of a sudden a temporary corner in ready silver was engineered by the cornering group, and prices rose to 26 1/8d. After a little prices came down, although covering had to be done at inflated prices, and when the year closed the position for silver was hopeful. The lowest price for silver during the year was 23 11/16d. in February, and the highest was 26 1/8d. in November. The price of bar silver (spot) during the year varied as follows:

	Highest.	Lowest.
January	25 3/8	24 3/8
February	24 3/8	23 11/16
March	24 1/2	24 1/4
April	24 5/16	24 5/16
May	24 11/16	24 7/16
June	24 5/8	24 5/16
July	24 7/16	23 11/16
August	24 3/16	24
September	24 5/16	24 1/8
October	25 1/16	24 3/16
November	26 1/8	25
December	25 11/16	25 1/16

GOLD.

There was a dearth of the usual gold speculations on account of the dullness in the general trade of the past year and prices varied between Tls. 390 and Tls. 413.50. A good amount of gold was sold in Peking at the close of the year. There was little noteworthy about the market.

THE COTTON TRADE.

But for the revolution bringing the trade of the last two and a half months in the year to a full stop the position of the cotton trade in China would have been very satisfactory. Instead of the scarcity of cotton, which it was feared would result in famine prices for cotton, the bumper crop of the new season brought prices to a level rarely reached for some considerable time. Even with the two and a half months of enforced idleness the total of the deliveries only falls short to a slight extent of the totals of 1910. But the total of the imports has been heavy, and consequently the stocks which are proving a deadweight on the hands of the merchants are too much for the trade to bear. For instance, while the stock of gray shirtings at the close of 1910 amounted to about 250,000 pieces, the stock at present is nearly 1,250,000 pieces. Almost all the descriptions of goods except fancies showed inflated stocks, and that is precisely the danger of the present position. The year cannot be considered unsatisfactory as compared with 1910 from the actual amount of business transacted; but it has proved extremely unfortunate in that it raised great hopes, goods were bought on that basis, and the merchants now find themselves "left."

COTTON.

The year opened with Mid-Americans at 8.05d. per pound, and local cotton strong at about Tls. 30 for Tungchow. Prices showed a stiffening tendency, reaching 8.42d. in May, and they stood round about these levels until the half year, when the expectation of a bumper American crop brought prices down. After steadily declining until Mid-Americans reached the low level of 4.92d. spot, prices found their level at a little over 5d. The feature of the year was the buying of American cotton in large quantities for the local mills, owing to the fact that local cotton prices stood at an unreasonable level, and the cotton was watered. At the close Chinese cotton, besides being scarce owing to the revolution, had no buyers at all.

YARN.

The outstanding feature of the year in the yarn trade has been the remarkable increase in the deliveries of local yarn and the decrease in the deliveries both of Indian and Japanese yarn. There was a considerable decrease in the deliveries of Indian yarn during 1910, but last year there was a further decrease of about 220,000 bales over the total of 1910. During 1910 Japanese yarn made progress at the expense of Indian yarn, but in the past year the deliveries were less by about 173,000 bales. Of course, most of these decreases are due to the fact that during the last two months of the year, when a large business usually takes place, there was no business at all. But there is no doubt that a portion of both the Japanese and Indian trades will now be permanently lost in favor of the local mills, which increased their deliveries by over 70,000 bales during the past year. Excepting for Japanese yarn the stocks are not to be considered heavy.

PIECE GOODS.

In this trade the totals reveal only a small diminution, and in some cases an increase is shown. Fancy goods, which are mostly auction goods, stand at about the same position as in 1910, for the demand for these goods is from Korea and the North, which were in the main unaffected by the revolution. Although there was not much of a fall in the total of the deliveries of gray shirtings as compared with 1910, it must be remembered that a great trade, nearly 50 per cent. more than was done in the previous year, was expected during 1911. It is only natural that the expected amount of trade should not have been realized, as gray goods are consumed mainly in the Yangtze Valley, where trade was actively interfered with by the revolution. Jeans were a steadily improving market during the spring and summer, and the totals show proportionate increase. There is a fall in sheetings, especially Americans, for which Japanese competition is responsible. On the whole, the total deliveries, or the actual trade done, show an appreciative percentage of diminution over the figures for 1910.

SILK.

The silk crop of the season of 1911, although superior in quantity to that of the previous year, was inferior in quality. During the year the political changes that have taken place in the country are such as vitally to affect the position of the trade. The cutting off the queue and the adoption of foreign dress, although this affects only a small number, are bound to have far-reaching consequences on the trade, and the probability is that in the coming season there will be more silk available for export. Prices are already down, because the Chinese are willing to part with their cargo at any price owing to the monetary stringency caused by the revolution, and further quantities coming into the market should affect prices detrimentally. When early in the summer there was speculation about the crop, prices were pushed up and Chinese were unwilling to part with their cargo except at prices which the buyers abroad were unwilling to pay. A comparison of prices of some of the leading chops on January 1 and December 31 may be found interesting:

	Jan. 1. Tls.	Dec. 31. Tls.
Tsatlee Fil. Cross Best and Seconds	695	605
Shanghai R. R. Tsatlees, Best and Seconds	695	595
Tsatlee Fil. Pegasus	600	565
Steam. Fil. Best Chop Ex. and 1 12/15	865	790
Tussah Fil. Best	325	260

The exports for the season 1909-1910 amounted to 85,642 bales, and for the season 1910-1911 ending May 31 last were 87,163 bales; and the exports for the period June-December seasons, 1910-1911 and 1911-1912, were 56,791 and 57,647 bales, respectively. Thus it will be seen that the volume of the trade during the past year has not suffered, although as is shown above, the prices have vastly deteriorated. The special features of the exports of the season now in progress are that the demand for yellow silks in Europe, which had fallen already during the past season, has further slackened. The United States, which had bought more of steam filatures during the past season, has once again returned to the level of the season 1909-1910. Exports of Tussahs to America have been reduced by 50 per cent. during the past two years, while Europe, especially the Continent, is taking increased quantities of Tussahs. The trade as it stands at present is not discouraging, although it is not possible to say the same from the Chinese point of view. The stocks in Shanghai are about the same as during the close of 1910 except that at present there is less of yellow silk and more of Tussahs.

TEA.

The feature of the tea trade during the last year was the record price paid in Europe for China tea, and the finding of new outlets for the green teas shut out of America, owing to the Pure Food Law of the United States. Again more than 2,000,000 pounds over the usual amount was consumed in Great Britain during the first half of the year, and Great Britain consumed during the year about 50 per cent. more than the usual quantity. The season closed earlier than last year, partly owing to the exigencies of demand and partly owing to the unrest in the country caused by the revolution. The rumor that there were big stocks of tea at Hankow at the beginning of the revolution was proved to be false, for as a matter of fact, the revolution hardly affected the tea trade. The Batoum and the Russian markets which had been slightly worked during the previous season were well exploited, and it is possible that if there had been further supplies more tea would have been taken from these quarters. Among the noteworthy events in connection with the tea trade during the year 1911 were the passing of the Pure

Food Act, by which the China tea trade with the United States has been completely dislocated. As a matter of fact, the United States has only taken a fraction of the total quantity which she used to take in former years. The efforts of the Chinese Government to put an embargo on the import into China of Indian teas, used by Russian houses in the manufacture of brick tea for Russian consumption, proved a failure. Once more the proposal made in the House of Commons to give preference to Indian and British grown teas as against China tea by reducing the duty on the former also proved a failure.

BEANS.

The Manchurian crop for last year has been estimated at 10 per cent. below that of the previous season, or 1,600,000 tons. This province was the least influenced by the revolution, and as such the bean trade, although interrupted, still continued to a considerable extent. The beancake export to Japan has been fairly satisfactory, and the export of beans to Europe via Vladivostok was only slightly below the figures of the previous year. The export of beans via South has seriously suffered. It was thought that the plague and floods would have affected the crop more seriously, but as the produce arrived from greater areas than during the previous year the decrease has only been 10 per cent. of the total of the previous year. The price of beans, beanoil and beancake considerably advanced before the close of the year.

RICE.

For a time during September and October of the past year there was a rice famine in almost all parts of the Far East, which situation was aggravated in China by the destruction of the crops by the floods. Efforts made in all other places, coupled with the fact that the rice crop in Japan was found later on to be normal, eased the situation. In China the repeal of likin and the taxes owing to the success of the revolutionists in the South and in the vicinity of Shanghai brought the price down, and thus it happened that what might have proved a veritable scarcity was averted.

PROSPECTS.

A year ago this time it was apparently appropriate to say of China trade: "I am at the bottom of fortune's wheel and any revolution must take me up." It was never thought possible that there could be greater depths to which the trade might go, as it has done during the year. He would be bold who would prophesy the trend of future events in China with any degree of certainty, but in the light of the past, and the recent changes in the situation, it seems impossible that some turn of the tide should not be experienced before long.—*North China Daily News.*

THE UNSPECTACULAR FAMINE.

AN INTIMATE STUDY OF CHINA'S TRAGEDY.

WILLIAM T. ELLIS.

From the Forum for March.

China has not only been torn by revolution during recent months, but of greater immediate interest to millions of her people is the unprecedented famine which has followed the disastrous floods in the Yangtze valley. The famine has been a greater factor in the revolution than the cable dispatches have made clear. The world has already been aroused to the enormity of this calamity, and relief measures are under way. It is difficult to realize here what the famine really means to the people; but the colossal tragedy is very clear to the American and other missionaries who live in the stricken region (where there have been seventy famines in 700 years). They have been foremost in relief work, and have saved probably millions of lives.

"Yaoming! Yaoming!"

Muttered by passers-by on country roadsides, spoken with dramatic intensity by village elders, or wailed by women whose suffering had approached the verge of hysteria, that word became familiar to my ear as I traversed the centre of China's famine district. When translated, it revealed the dramatic instinct which lies deep in the breasts of the stolid, money-loving, materialistic Chinese. For they have personified the famine into a cruel, deliberate, patient, relentless monster, sure of its prey, and their cry is "Yaoming! Yaoming!"—"It wants our lives! It wants our lives!"

If the devourer would only be satisfied with their crops, their homes, their cattle, and their household goods (which it has already consumed), their bitterness would not be so intense; but they foresee, and humanity's ancient terror of death creeps into their eyes at the vision, that this famine will not quit its prey until it has been glutted with human life. Having grubbed the very earth bare of its roots and weeds, these three or four million peasants in North Central China perceive that it will be impossible for them to cross the three or four months that still intervene between the end of February and the spring wheat harvest.

This grim, hopeless waiting for slow and inevitable death is not so spectacular as the tense battle front of an army waiting for the command to charge into the jaws of destruction; but it contains certain deeper elements of tragedy. Here is time for all the human emotions to enter into play. A highly strung, desperate, just-for-the-moment courage will not serve in this case. These people must sit eye to eye with a terrible and inexorable end for days and weeks and months. They must listen to the heart-bursting wails of their little children pleading for food which they cannot give. Husbands whose strength is no longer protection must feel the thin arms of their wives about their necks, and know that they are coming short of man's primal duty to provide for his own.

The little white rags of mourning on the women's heads, which now blossom more plentifully than weeds in the famine field, mutely tell their own tale of children and husbands laid away without the funeral pomp that is inseparable from the deepest religious convictions of the Chinese. One day this week I saw a man's body, only partly wrapped in matting, lying in a gutter, while, hard-eyed and staring, like a stone image of grief, the widow stood beside it, apparently unable to lift the burden and bear it away. That was an infinitesimal part of the dreadful drama which is being enacted over forty thousand square miles of country, with the life-thirsty famine playing the leading rôle.

The horror of it looms up from whatever angle of vision an observer approaches this calamity; and even when he has his eyes averted. Take such a commonplace matter as a load of firewood, for instance; surely that can have little to do with the misfortunes of these peasants whose dark yellow faces wear the unmistakable famine pallor! In the neighborhood of Suchien, which is about the geographical centre of the stricken territory, firewood is selling for one-half the usual price, although the broom corn, rushes and brushwood burned by the Chinese is more than double what it normally costs. The handful of foreigners at Suchien (which is so far out of the world that I was informed that I was probably the first traveler to visit it) do not rejoice over the cheapness of firewood, however, for they know that it has been made plentiful because the people have torn down their mud houses in order to sell the few supporting timbers, and because the farmers have dug up their fruit and shade trees in order to market them as fuel. During a single day while I was in Suchien my

missionary host had twelve tables brought to him for sale; poor and rickety enough, and useless to him, except to burn, yet they were the chief articles of household furniture and ornament of twelve homes.

That same missionary's dispensary is visited these days by an unusual number of Chinese suffering from stomach troubles; in desperate endeavor to stay the gnawings of the inner man with something, they have eaten poisonous weeds. Even the leaves, roots, fungus, grass and bark from which the people are extracting a measure of nutrition are causing suffering, and preparing the way for deep ravages of disease later. "What are you eating?" I asked the head man of a village; he pointed to the food the women were preparing to eat, and added, "Everybody is eating greens, and our stomachs grow the cold sickness." That man himself is considered prosperous, and will be given no relief, when relief comes; yet his daily food, instead of being seven bowls of rice, is now two bowls of rice, mixed with a pot of weeds. His next-door neighbor, a picture of despair and perplexity, cried: "Look at me, I have twelve mouths to feed; what can I do? We have been eating two meals a day, with only one bowl of rice mixed in the mess of greens"—and the weeds were at hand when he spoke.

Pointing to a sweet-faced little girl of five, with snapping black eyes, who stood alongside of me, he continued: "Yesterday I carried her out to sell her, but on the way I heard the foreigners were coming to be our saving star, so I brought her back." He was more fortunate than one of his neighbors, who a few days previously had sold his ten-year-old daughter for four thousand cash (about four dollars). On the way back the middleman robbed him of all the money except one dollar and two quarts of rice. Still another neighbor had sold his child for three dollars. In none of these particular cases were the children designed for immoral purposes; they would become slave girls in well-to-do families and possibly the wives of sons of their purchasers. When first I was asked to buy children I was shocked; since then I have come to realize that this apparently cruel procedure is a means of saving the child's life, and of prolonging the life of the family. In every case of the sale of children that I have investigated the step was literally a last resort; every other salable possession had been sold, and every other method of securing food exhausted.

A famine sets at naught normal conditions and tastes. The peasant farmer of Central China ordinarily feeds his stock, as a poorer grade of fodder, dried sweet potato vines. Now he has no stock; last summer fresh meat sold for less than half price in the markets of Suchien, because so many farm animals went to the block. At present, naturally, with the usual supply gone, the few wealthy who can afford meat find it very high. When sweet-potato leaves were fed to the cattle and hogs, they were plentiful at two and a half cash (a fraction of a cent) a cattie; a cattie is one and a third pounds. Now sweet-potato leaves are scarce at twenty-eight cash a cattie and the farmers who can get them for their own food are envied by their neighbors who are subsisting on weeds.

A common fertilizer in this part of China is the refuse of peanuts—shells, vines, and the waste of the nut itself, after all the oil has been extracted. This is pressed into the form of big discs, the size of an American cheese. The same is also true of the waste product of bean oil, which is similarly treated. As fertilizer, and emergency food for cattle, this stuff brought from ten to fifteen cash per cattie in the market; today it sells for twenty-eight cash, and is being used only for human food, and that by the comparatively well-to-do.

Stock phrases become luminous and significant when the conditions that give them birth are perceived. Thus "famine prices" is no idle term to one who has visited a famine region. Wheat that sold six months ago for twenty-four cash a cattle now can scarcely be bought for seventy; barley, once eighteen to twenty cash, now brings forty to fifty. Corn sold for eighteen to twenty cash a cattie; it is at present difficult to procure at sixty-five to seventy. With good reason, the first consignment of relief from Shanghai took the form of flour, to be sold at the old figure, in order to break these prices which are ruining even the prosperous. The former Government engaged to supply the famine sufferers with a cent and a half apiece a day, and really made a serious effort to carry out this promise. But it will take at least a generation of "New China" before the officials could hope to administer such an admirable purpose, or cope efficiently with an extraordinary emergency like this.

"We are living now," said a man with eyes which only a Dante could describe, as we talked together, one day shortly before the Chinese New Year; "but after we have crossed the year, we shall long for grain and long for grain until we long to death." As yet the people are not dropping like flies on the roadside. The actual deaths, due to starvation alone, have been few, considering the vast numbers of the famishing; but lack of food has made the people an easy prey ot disease, so that the plague of smallpox, to cite an illustration, is having an easy conquest of the territory, one home in three at the famine's centre being at present afflicted with the disease.

Worse woes await. Thanks to the phenomenal endurance of the Chinese, who are harder to kill than any other human beings on earth, the people have kept at bay the famine monster through all the months since summer; but the end is at hand. "Yaoming! Yaoming!" March, April and May will probably yield a death's harvest, compared with which the total of dead in any modern war will appear small. However, since the victims will not lie in heaps or rows, within the view of camera or correspondent, they will not startle humanity; the people will perish in their homes, like animals crawling to their lairs to die.

The note of despair sounded by the man quoted in the preceding paragraph changed to another tone in the case of the village patriach, an old, bent man, with watery eyes, who supported himself on a sage's "thinking stick." With respect to himself the old man had declared his intention of selling his clothes for two hundred cash (twenty cents) and spending the money for enough opium to enable him to commit suicide. "What else can I do?" he pathetically asked. Concerning the village he said to the missionary, whom he recognized as the only source through whom aid could come, "If you foreigners help us now, in our next transmigration we will help you." Wherein he perhaps spoke more truly than he knew; for this would seem to be the "psychological moment" for China to receive a new impression of the foreigners whom she so deeply suspects and dislikes. Something of the importance of this is seen by the Protestant missionaries, who, with a rare opportunity for making "rice Christians," prefer the greater ultimate advantage of establishing the prestige of civilization and Christianity. I heard a woman offer to join my companion's church if he would only help her; he explained that she stood a better chance of assistance as she was, for not a penny of the general relief funds have been or would be given to Christians, so long as missionaries remained the distributors. Needy church members are being cared for by the missionaries privately, helped by personal friends.

One of the opinions a famine investigator must revise is that starvation always emaciates. True, a few photographs have been taken, to meet public expectation, of pitifully thin children in China's famine district, but in every case these were secured in a hospital where disease had joined hands with hunger. As a matter of fact, the starving, in nine cases out of ten, become bloated and swollen as with dropsy. I have talked with all but one of the physicians in the famine district, and with most of the missionaries, and all agree upon this point. There is a distension and reddening of the upper eyelids, a swelling of the abdomen, of the face and then of the body gener-

ally. These signs, together with the peculiar dusky, unphotographable pallor, are the signature of starvation.

Day after day one may travel over a vast area and meet this ghastly look. The Chinese peasants, like all Orientals, do not dwell in isolated farmhouses, but in villages. These homes are made of mud, and straw thatched, and furnished with a meagreness comparable to nothing in Christendom. As the villagers sit in their doorways, or talk together in clusters upon the one overshadowing theme (for they now have nothing to do; they must await their end in idleness), the progress of starvation in each may be read in his complexion. In one small village, containing a few prosperous families, my companion stopped the conversation, and divided into two groups the cluster of thirty-two men, women and children which surrounded us. We were in an official's home at the time, and the presence of his women and children increased the proportion of the healthy. On one side were ranged those whose appearance was normal; on the other, those who unmistakably wore the famine pallor—so unmistakably that I, unused to the famine and to the Chinese, could instantly detect it. The result was that of those thirty-two villagers, only six could be said to be free from plain signs of starvation, while twenty-six were manifestly suffering from lack of food. Repeatedly, in various villages, we applied this same test, but we never obtained a better proportion of the healthy. Obviously, within a few weeks these ill-fed ones will be dying in their homes and on the roadsides, far beyond the ken of the uncaring world.

All this is unspectacular, in the broad interpretation of that word. The real weight of this terrible calamity is falling where civilization's eye does not penetrate. Yet there is one aspect of the famine that masses a small part of the misery in an interest-compelling fashion. While the country was yet submerged by the spring and summer floods which were the cause of the disaster, and while mud houses were tumbling by the thousands into the water, a south-bound procession began that resembled the fleeing of the wild animals before the approach of a forest fire; only these people sought to avoid the menacing monster Famine, bloodthirsty for their lives. Many crowded to the water's edge the Chinese junks going down the canal; others trundled their poor possessions and their children on wheelbarrows. By scores and hundreds and thousands and tens of thousands they gathered about the walls of cities to the south of the Yangtze River. Such as could secure a few cash made themselves shelters of matting, an entire family being crowded into a hut less than waist high. I have inspected many thousands of these huts—each a separate story of misery—but I do not recall one that was high enough to permit a man to stand erect, or wide enough to enable him to lie down at full length.

These ominous, and yet amazingly law-abiding cities of the starving, perishing from cold, disease and hunger within a few yards of flaunting grain shops, compelled official attention. A measure of relief was given to at least a proportion of the refugees in these concentration camps, although it was in no case adequate. The Chinese estimate of the number of these refugees far exceeded a million; I myself saw only half a million. The variety of hardship and suffering which these insufficient mathouses covered would afford substance for volumes. There are, for example, the births, babies being brought into the world by starving mothers lying on the bare ground, with no clothes awaiting the little ones, no friendly hand to care for them and no fire to warm them. At the other extreme are the deaths, so numerous that one almost became callous at the sight of them. The other day a missionary visitor to the Chinkiang camp came across the dead body of a woman in one of the huts. Beside it lay three small children. The woman had been dead since the previous day, but the children were too small to realize it.

One of the pathetic sidelights on the famine is that some of the bereaved women can conform to China's inexorable custom concerning the wearing of mourning only by sticking a few white strings of flax or of dried grass in their hair, because they cannot afford so much as eight square inches of old white rag. Disease in these camps is another harrowing chapter. In one place, Yangchow, smallpox broke out among the refugees, but the officials refused to permit the foreign doctors to vaccinate. It really appears as if the greatest activity has been shown by the Chinese officials in the direction of the ingenious and multiform, though entirely vain, endeavors to get their immemorial "squeeze" from the foreign relief funds. Europeans in the East know China too well to be caught napping.

The callousness of China toward the suffering of its own people, and the lack of national cohesion and of any sentiment approaching brotherliness and altruism, was shown by the heartless manner in which most of these refugee camps were broken up by the officials. Weary of the burden of support, and fearful of trouble for themselves should these multitudes rise and riot, the famine sufferers were sent back home—or wherever else they might choose to go—in the midst of the cold weather, and just as the winter rains had come on. Of course this meant death for the refugees; the Chinese officials realized this, but what cared they, so long as they could escape personal responsibility? The famine victims knew it also; and as I passed scores and hundred of these dejected, dispirited, hopeless groups, on and about the family wheelbarrow, they would dully reiterate the old, old lament, that they were going back to die; going back to yield their lives to the insatiable monster, Famine. And do the best that they may, all the forces of relief, and all the philanthropy of Christendom, cannot prevent that dull dread from being realized; thousands upon thousands must die unspectacularly, even though the millions be saved.

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Perhaps the best evidence that could be given of the satisfactory progress of the reorganization of the administrative system of China is the fact that very little is heard about it. News from China, as from elsewhere, deals mostly with disturbances of the normal order of things, and in the absence of news it is fair to assume that the wheels of the new Government are moving smoothly. The announcement of the President's Cabinet seems to have been received with general satisfaction; even those least friendly to the new order of things finding no serious fault with its composition. The comparative youth of most of the members is a new feature in Chinese officialdom, as is the absence of literati among their number. It has been from the first the declared policy of the leaders of the revolution to make the break with the old traditions as nearly absolute as possible, and Yuan has apparently found it expedient to ignore some conspicuously able men because of their identification with the old régime. In any case, it must be held to be of good augury that the daily cables from China relate chiefly to the squabbles of rival groups of international bankers over the privilege of lending the Republic money. No greater tribute was ever paid to the ingrained honesty of any people than is involved in the very slight disturbance which has taken place, throughout the whole course of the revolution, in the value of Chinese Government securities. A Japanese writer in the *North American Review* thus summarizes what must be held to be a unique experience in the history of civil war: "After more than three months of revolution, when the Peking Government has lost nearly fifteen provinces out of the eighteen of China proper; when not only the Peking Treasury, but also the Revolutionary Republicans are bankrupt, are actually without money to pay their soldiers and administrative expenses; when the whole country is overrun with armed bandits; business strangled to death by anarchy; when there are said to be 3,000,000 of people without food; when Yuan Shi-kai, the only man, from all reports, upon whom foreign Powers rely, is playing the heroic role of an out-of-date Joshua bidding the sun of the Manchu to stand still on the hills of the Far Eastern Gibeon; when the Ta Tsing dynasty and the glories that were Kanghi and Kueilung are ready to give up the Imperial ghost as eagerly as any scared burglar—today, when all these things and more are true, what is the price you will have to pay for the Chinese bond? Ninety-four —only three points off the original price! It is a financial miracle."

THE possibility of foreign financiers once more dealing with China as a Sovereign State ought to be prelude to its diplomatic recognition as such. Nobody pretends that the stability of the Republic is so well assured that it has no dangers to apprehend. But to delay recognition after the contented acquiescence of a whole people in the transformation of their form of government would merely be to give encouragement to the few malcontents who still wish to restore the Empire. As a competent authority has said apropos of another phase of the general question: "Diplomacy and finance are equally concerned with Chinese statesmanship and patriotism in minimizing the risk of disintegration; for the whole edifice of foreign intercourse and relations is based on the assumption of Chinese integrity. Commerce might be carried on with disintegrated Provinces, as it is carried on with Western States which Chinese Provinces rival in size and population; but finance is based on the conception of an integral Empire." While it is obviously desirable that recognition should come by joint action of all the treaty Powers, it is quite as necessary that none of these Powers should be permitted to make a bargain on its own account, with China as a condition of joining the general concert of action. The position of Russia in Mongolia and the position of both Russia and Japan in Manchuria concern other Powers only less vitally than they concern the future of the Chinese Republic. It is quite possible that the readjustment of these and other questions relating to the reestablishment of Chinese sovereignty in leased territories may require the assembling of a conference of all the Powers having definite interests in China. It is certain that all the underhand and secret diplomacy of the past must now be divulged and that no agreement made with the Empire which cannot stand the light of day should be accepted by the Republic. At the present juncture the main thing is to see to it that no Power is allowed to take unfair advantage of the necessities of the new Government to the detriment of certain broad principles to which all are nominally committed, and whose strict observance is more than ever necessary for the preservation of the unity of China.

ON points like these the Government of the United States ought to be able to speak with some authority, and there is every reason to believe that it will. Toward the new China both the Government and people of the United States have certain peculiar responsibilities, and it is the belief that there is a general desire to see these fulfilled that the scheme, elsewhere reproduced, has been drawn up for a larger field for the activity of the American Asiatic Association. The brief draft, which will be found on another page, has received the conditional approval of the executive committee, and an expression of opinion in regard to it is earnestly requested from the members at large. It cannot be carried into effect without a general meeting, but as the representation of members at such a gathering is necessarily very limited, it is hoped that its submission through the columns of THE JOURNAL may serve the purpose of preliminary discussion. It may be permissible to reiterate the statement that to no people should the Chinese be able to turn more confidently for counsel and guidance in the conduct of their free institutions than to our own, and that nowhere could the function of interpretation and conciliation be undertaken more appropriately than here. The question for the members of the association is whether they believe that by an enlargement of their numbers and a broadening of their field of action a fitting instrumentality could be provided for the task indicated. While the association need relax none of its energies in the promotion of trade with China and the countries of the Far East, there is a field of ethical and political influence which it should be able to occupy as no other agency in existence can so effectively do. THE JOURNAL can easily be made to furnish a common platform for the interchange of ideas between progressive thinkers in the Orient and the Occident. The work can be done on sufficiently modest resources, as has been all the antecedent work of the association, the sole requisite being an addition of two or three hundred members.

FOR the first eight months of the current fiscal year it will be observed that the chief articles of our export trade with China show a greatly increased value. Ending with February, the total exports for the fiscal year are $23,711,605, against $16,334,585 for the corresponding period of last year. These include Hongkong as well as the leased territory, to the Japanese section of which only are there any tangible exports. With Japan itself our export trade continues to advance by leaps and bounds. It was, for the first eight months of the fiscal year 1910, $14,000,000; for the same period of 1911, $24,600,000, and for the first eight months of the current fiscal year it is valued at $34,473,387. Meanwhile, our imports from Japan remain about stationary at $55,600,603, while imports from China show a retrogression from the total of 1911 and reach a value, including Hongkong, of only $21,000,000. Among the other details of our Asiatic trade probably the most notable are the increased exports to British India. These have grown from an average of a little more than $5,000,000 during two-thirds of the last two fiscal years to $10,487,418 in the eight months ending with last February. Taken as a whole, the export trade of the United States with Asia shows an increase of about 50 per cent. over the last fiscal year, and of about 90 per cent. over that of the year preceding. The disparity between the value of exports and imports is thus rapidly diminishing, so that against imports for the eight months of $147,925,958 we can show an export value of $76,625,500.

THE attention of our members is directed to the bill now pending in Congress for the permanent establishment of the merit system in the diplomatic and consular service of the United States. The bill which was introduced by Mr. Sulzer, of New York, the chairman of the House Committee on Foreign Affairs, is in all essential respects a duplicate of the Lowden bill, which failed of passage in the last Congress. The bill is elsewhere reproduced, as are also the reasons why the business community of the United States should give it their hearty approval and support. This is a question in regard to which every member ought to address the representative from his district and the Senators from his State. There is a deadweight of opposition to be overcome in Congress when it is a question of restricting in the slightest degree the perquisites of political patronage, and unless business men show themselves to be thoroughly in earnest in such a matter, the professional politicians are likely to have their own way.

Exports of Domestic Cotton Cloths, Mineral Oils, and Wheat Flour from the United States to China and Hongkong, during the eight months, ending Feb. 28-29, 1911 and 1912.

EXPORTS TO CHINA.

Months.	Cotton Cloths.		Mineral Oils (illuminating).		Wheat Flour.	
1910.	Yards.		Gallons.		Barrels.	
July	10,897,533	$727,329	5,392,690	$323,424	638	$2,576
August	9,582,788	563,587	14,052,380	888,045	2,643	11,823
September	4,226,655	263,334	7,130,000	314,745	1,333	5,144
October	951,800	56,682	8,044,160	493,021	452	1,894
November	1,018,400	90,740	5,048,550	298,529	3,691	14,533
December	3,294,806	227,245	7,996,752	583,235	5,308	20,650
1911						
January	5,667,644	390,359	3,915,380	180,847	58,188	210,766
February	3,854,800	222,309	4,423,824	210,643	124,428	456,053
Total	39,494,426	$2,541,585	59,003,736	$3,292,489	196,681	$723,439
July	11,063,600	$788,798	15,882,570	$1,148,524	1,631	$6,490
August	8,680,440	625,749	7,827,602	537,398	21,926	79,752
September	7,671,189	581,168	7,857,040	572,253	61,783	237,040
October	6,901,562	484,934	5,660,580	406,178	55,750	216,175
November	12,544,616	877,394	.....	.....	67,470	266,515
December	12,534,270	844,814	4,040,070	282,039	55,850	217,338
1912.						
January	4,495,875	307,086	5,131,900	373,671	69,413	267,876
February	12,794,458	851,566	.....	.....	179,820	697,139
Total	76,686,019	$5,361,509	46,399,762	$3,320,063	513,643	$1,988,325

EXPORTS TO HONGKONG.

1910						
July	51,982	$8,126	1,757	$189	58,169	$242,814
August	19,350	2,558	1,748,039	130,973	54,231	217,046
September	6,550	707	.....	.....	20,289	84,794
October	18,047	4,639	.....	.....	92,673	371,287
November	5,391	819	1,585,000	114,460	61,840	236,943
December	18,821	2,616	191,230	13,099	203,005	798,776
1911						
January	42,917	7,104	1,742,440	142,425	108,727	$452,872
February	32,540	2,563	1,714,910	124,331	117,230	453,344
Total	195,598	$29,132	6,983,376	$525,477	759,227	$2,989,965
July	73,151	$10,412	.....	.....	72,283	$281,302
August	55,621	10,166	1,539,170	$115,438	73,571	287,511
September	49,832	7,889	2,040,000	151,980	85,937	333,803
October	44,343	7,410	830,000	81,956	251,607	993,047
November	35,212	3,509	2,455,000	184,827	143,919	550,437
December	187,236	20,889	2,677,000	195,421	234,502	915,396
1912						
January	57,814	7,253	.....	.....	94,456	380,186
February	110,352	15,039	1,263,540	92,833	106,985	410,863
Total	613,561	$82,567	10,804,710	$822,455	1,063,260	$4,157,544

DEPARTMENT OF COMMERCE AND LABOR,
Bureau of Statistics.

WASHINGTON, D. C., March 30, 1912.

Imports of Tea and Silk into the United States for the eight months, ending February 28-29, 1910, 1911 and 1912.

TEA.

Imported from	1909. Pounds.	1909. Dollars.	1910. Pounds.	1910. Dollars.	1911. Pounds.	1911. Dollars.
United Kingdom	5,028,855	1,165,675	7,172,000	1,824,924	10,139,682	2,651,752
Canada	1,436,721	341.891	1,953,991	475,230	1.693,726	479,444
Chinese Empire	26,478,836	3,061,599	22,604,257	2,695,393	15,504,536	2,009,188
East Indies	5,425,397	853,181	6,360,171	1,041,440	9,100,746	1,538,844
Japan	38,840,035	5,679,411	46,966,478	8,057,543	50,310,356	8,463,633
Other countries	405,736	89,431	838,139	142,386	574,301	105,464
Total	73,615,580	11,191,188	85,895,043	14,236,916	87,323,347	15,247,325

SILK.

RAW, OR AS REELED FROM THE COCOON. Imported from	Pounds.	Dollars.	Pounds.	Dollars.	Pounds.	Dollars.
France	471,520	1,258,189	207,493	748,943	58,737	212,102
Italy	2,405,672	9,234,538	1,958,149	7,394,846	1,069,711	3,873,829
Chinese Empire	2,869,275	6,803,285	4,014,234	10,095,680	3,170,899	7,321,182
Japan	8,445,214	28,771,380	10,146,427	35,289,940	9,729,622	31,621,710
Other countries	144,610	545,145	127,722	474,771	138,834	486,173
Waste.....lbs...free..	2,086,737	1,177,710	2,817,862	1,530,400	3,321,813	1,511,212
Total unmanufactured	16,423,028	47,790,247	19,271,887	54,534,580	17,689.616	45,077,217

A LARGER FIELD FOR THE ASSOCIATION.

Subject to the judgment of a general meeting, the Executive Committee of the association has given its approval to the following outline of a plan of action looking to a great enlargement of the field of work of the association. It is submitted here for the consideration of the general body of members that a special meeting to be held in the near future may have the benefit of their advice and suggestion:

The American Asiatic Association was formed "to foster and safeguard the trade and commercial interests of the citizens of the United States, and others associated therewith, in the Empires of China, Japan and Korea, and in the Philippine Islands, and elsewhere in Asia or Oceania." So far, its aims have been chiefly commercial, and interest in Asiatic trade has been the main requisite of its membership. In the judgment of the executive committee of the Association, the time is ripe for such an enlargement of the objects and purposes of the Association as new conditions in the Far East appear to demand. The material interest of the United States in the development of China has been reinforced by a moral interest in the successful working out of the experiment of a republican form of government. The intelligent pursuit of the one demands a sympathetic and helpful attitude toward the other, and the moral influence of this country could nowhere be exerted with a more assured certainty of quick and generous appreciation.

The problem of Asia is the problem of the twentieth century, and an enfranchised and regenerated China brings it before the world with a fresh emphasis. With a new sense of national dignity, and a new faith in their own future, one-fourth of the human family will not be content meekly to occupy the place that has forcibly been assigned them. A recognition of the "rights" secured to people of other nations in China will be affected, as it has not been before, by the kind of treatment accorded to Chinese, in the territory of these nations. For the avoidance of misunderstanding and friction, it will be necessary for the Occident and the Orient to have a better comprehension of each other—to develop a closer sympathy in the pursuit of their respective ideals.

To no people should the Chinese be able to turn more confidently for counsel and guidance in the conduct of their free institution than to our own. They have taken this republic as the model for their new Commonwealth, and they felt assured in advance of its prompt recognition by our government. Nowhere could the function of interpretation and conciliation be undertaken more appropriately than here, and no instrumentality could be devised better fitted for such a task than the American Asiatic Association. The educational value of its fourteen years of activity is as thoroughly understood in Asia as it is in the United States, and the men now at the head of affairs in China are one and all familiar with its work.

With a slight amendment to its constitution, the membership of the association would be open to all who desire to bring about a better understanding on the part of the people of the United States of the forces of transformation now at work in Asia, and on the part of Asiatics

of the possibilities of helpful co-operation in beneficial enterprises for the advantage of both. The promotion of trade would still be recognized as a powerful agent in cementing good relations between the two great republics, but in the field of ethical educational and economic discussion, an effort should be made to furnish a common platform for the promulgation of the ideas of thoughtful men in the East and the West. For such a purpose, the Journal of the Association, with the requisite enlargement and improvement, can readily be made available.

The present membership of the association is somewhat under three hundred, and to equip it for the work above outlined, that number should be at least doubled. With some effort on the part of our present members such an achievement ought not to be difficult.

SUN YAT-SEN'S MESSAGES OF RESIGNATION.

The messages of resignation as Provisional President of the Republic of China, issued by President Sun Yat Sen, follow:

The President's Message to the National Assembly.

Today I present to you my resignation and request you to elect a good and talented man as the new president. The election of president is a right of our citizens, and it is not for me to interfere in any way. But according to the telegram which our delegate Dr. Wu was directed to send to Peking, I was to undertake to resign in favor of Mr. Yuan when the Emperor has abdicated and Mr. Yuan has declared his political views in support of the Republic. I have already submitted this to your honorable assembly and obtained your approval. The abdication of the Ching Emperor and the union of the North and South are largely due to the great exertions of Mr. Yuan. Moreover he has declared his unconditional adhesion to the national cause. Should he be elected to serve the Republic, he would surely prove himself a most loyal servant of the State. Besides Mr. Yuan is a man of political experience, upon whose constructive ability our united nation looks forward for the consolidation of its interests. Therefore, I venture to express my personal opinion and to invite your honorable assembly to carefully consider the future welfare of the state, and not to miss the opportunity of electing one who is worthy of your election. The happiness of our country depends upon your choice. Farewell.

HIS MANIFESTO.

Sun, the Provisional President of the Republic of China, hereby issues a manifesto to the National Assembly at Nanking. The circumstances of the peace negotiations have already been placed before you. On the 12th of February, Wu Ting-fang, our peace delegate, received a telegram from Peking, and I received a Peking telegram as well as Tang Shaoyi's telegram. I think the aim of our people is to establish a republic by overthrowing despotic government and thus the righteous army has caused the rising and thus the whole country has followed, and the Ching Emperor seeing the situation understands it impossible to maintain the Throne has proposed to abdicate and the Emperor has proclaimed abdication and agreed to the Republic and has recognized the Chunghua Mingkuo (Republic of China) and from now there will be no more system for Imperial rule forever in China and thus the aim of the Republic has been attained. When the Republic first commenced to exist I was elected as Provisional President, what I have declared by oath that the despotic government be overthrown and the Republic be firmly established and happiness of the people be looked after. When the despotic government be overthrown and there be no disturbances and the Republic be established as a state in this world to be recognized by powers, I have taken oath to retire from the post. Now the Ching Emperor has abdicated, the despotic government gone and South and North are in one mind and there is no trouble in the country and the recognition of the Republic will soon be effected and I have to carry out my words of oath and to retire.

NAMES CONDITIONS.

Therefore I hereby make manifest to the National Assembly that by representing the people's public view you will please elect a man of ability to take up the presidentship to enable me to retire under the following conditions:

1.—The seat of Provisional Government be Nanking, which having been decided by delegates of provinces and cannot be changed.

2.—After resignation of us when the National Assembly will elect new president, who will come to Nanking and take over his post when the Provisional President and Ministers will retire.

3.—The constitution of provisional Government has been compiled and decided by the National Assembly and the new president should observe all the laws and regulations therein contained.—*China Press.*

THE CHANGE OF PRESIDENTS.

Among many moving events to which the past four months have given rise none surely is more impressive than the fact and the manner of Dr, Sun Yat-sen's resignation of the presidency. This, without exaggeration, it may be said, was the supreme test of Republican good faith, and it has been accomplished in such wise as to add very greatly to the prestige of all Nanking. What the revolutionaries, to give them for the last time the name that is now obsolete, have promised since first they stayed from the slaughter of the Wuchang Manchus in deference to humane representations from without, that they have fairly performed. Such acts of injustice and oppression as have come to light can readily be condoned. Considering what the word revolution implies, they have been extraordinarily few in number, and are not in any case to be laid at the door of the leaders of the movement. Now it has come to the last promise of all, the promise that Dr. Sun and his cabinet would resign as soon as the Emperor had abdicated and Yuan Shih-kai had given his adherence to Republicanism, and this also has faithfully been carried out with rare and touching dignity. It may be said that Dr. Sun Yat-sen felt himself to be deficient in the arts of organization required by the task that lies before the rulers of China, and especially in the

qualifications necessary to weld North and South together. We speak with all courtesy: If that be true, then the greater honor is due to him. From the beginning he has been recognized as the centre of the revolution for which he has labored for fifteen years. On his arrival in Shanghai he was instantly acclaimed as chief of the movement, and his election to the presidency followed with practically unanimous consent. Now he effaces himself, and that in such manner as to leave no loophole for his return, but with an earnest recommendation of Yuan Shih-kai, which the Assembly could not well disregard.

It will be unanimously agreed that Dr. Sun Yat-sen has deserved well of his country. His praise would possibly be higher yet if all the inner history of recent weeks at Nanking could be known. For indeed the presidency was no bed of roses. At the outset Dr. Sun's election was opposed by the Chêkiang representatives; and the personal hostility, to which there is reason to believe that this opposition was due, was not likely to conduce to smooth working in and about the presidential yamên. Later on, we know that the military section of the president's entourage, not to mention other provinces, was with difficulty restrained from adventuring on the northern expedition and its glamorous promise of fame. In this respect we may believe that Dr. Sun showed himself a better judge of the temper of the country than some of his advisers; but in the circumstances of the case it is certainly remarkable that there was no actual resumption of hostilities in place of one of the numerous renewals of the armistice. Next, with regard to the terms granted to the Throne, it is impossible to believe that the outcry lately raised against Republican generosity was not preceded by some strong dissent before the negotiations were actually concluded; but here, none the less, Dr. Sun must be credited with the accomplished feat of conciliating opposition. Finally there was the yet more formidable obstacle of distrust for and antagonism toward Yuan Shih-kai. Granting for the sake of argument that Dr. Sun was not the man for the position of president, it was without question a work of consummate tact to persuade the extremists to accept Yuan. Even at the last moment the Premier's election would appear to have been nearly jeopardized, and without the aid of Dr. Sun's persuasive faculties the result of yesterday's discussion might have been different from what it was.

There is little need to emphasize the delicacy of the new president's position, the need for wary walking, the constant exposure to misunderstanding and mistrust. To all this he must have become inured since he entered Peking last November; and this much he can rely upon, that the northern army is apparently faithful and that he has a most able lieutenant in H. E. Tang Shaoyi, whose name, it is to be hoped, will not be missing when the new Government is formed. Even thus, however, and with the continued support of Dr. Sun Yat-sen, it cannot be supposed that all is plain sailing. We do not yet know that Yuan will accept election, although the necessities of the case appear to allow him no option. But, as has more than once been said in these columns, the real work of the revolution has only begun with the retirement of the Manchus. China is very great, and her component parts are many and diverse. From this point of view there is everything to be said for the stipulation which, we understand, is part of the bargain, that the present arrangement is not to hold good for more than six months. Time is needed to ascertain the feeling of the dependencies, to decide upon the method of representation at the National Convention, which must not be lost sight of as an essential preliminary to the preparation of the new constitution; above all to restore public order and calm and to allow the nation space for reflection. The drafting of a constitution, the choice of a capital are important doubtless, but secondary. For the moment there is but one demand—for drastic government, security and confidence. On those conditions, and with continuance of the existing solidarity among party leaders, the future system of government in China should go far to arrange itself.—*North China Daily News.*

CABINET OF THE PRESIDENT OF THE REPUBLIC OF CHINA.

NANKING, March 29.—Tang Shao-yi, the Premier, as the representative of President Yuan Shih-kai, today received from Dr. Sun Yat-sen the Presidential seal of the Republic of China. Simultaneously the names and offices of the members of the new Cabinet were officially announced.

The composition of the new Cabinet is as follows:

Premier—Tan Shao-yi.
Foreign Affairs—Lu Cheng-hsiang.
Finance—Hsiung Hsi-ling.
Navy—Lin Kwan-hsung.
Army—Tuan Chi-jui.
Justice—Wang Chun-hui.
Communications—Liang Ju-hao.
Commerce—Chen Shi-mei.
Interior—Chou Ping-hsun.
Education—Tsai Yuan-pie.
Agriculture—Sung Chiao-fen.

The ceremony was carried out in the small hall of the National Assembly. The hall was crowded with members of the Assembly and prominent officials of the Republican Government. Dr. Sun Yat-sen and Tang Shao-yi, with the members of the retiring Cabinet, occupied raised seats on the platform. The galleries round the hall were filled with guests, among whom were some foreigners.

After the handing over of the Presidential seal Dr. Sun read a message to the people of China, asking them to give their loyal support and assistance to the new Government.

Tang Shao-yi, in the course of his speech, said that he hoped the relations of China with the Powers would be improved, that commerce would be developed and that peace would be quickly restored to the country. Referring to the Chinese budget, he said that 214,000,000 taels (approximately $150,000,000) would be necessary for all purposes, and of this total 50,000,000 taels (approximately $35,000,000) would be utilized in the payment of the expenses of the war.

DR. GILBERT REID AND THE MANCHU PRINCES.

(From the China Press of February 7.)

Dr. Gilbert Reid, Director of the International Institute, who has returned from Peking, has written the following interesting narrative of his experiences and interviews with the Manchu princes, with whom de discussed the question of abdication:

Having sent a telegram to certain Manchu princes recommending the abdication of the Manchu Emperor, I deemed it wise to pay a brief visit to Peking and present reasons for the recommendation which I had made. I went as the emissary neither of the Republican faction in the South, nor of the Premier Yuan Shih-kai in the North.

Though the International Institute has been officially indorsed by the Manchu Government, I did not go as its delegate, neither did I represent the Shanghai Missionary Association. I went as a private individual, and as a friend to meet, if possible, those whom I had known in the past. I went because I believed it a duty and an opportunity, and I went at no one's charges. I had feelings of sincere sympathy, to help and not hinder. I went in the interests of peace and not of war.

If there was any interference, the only ones to complain would be those whom I desired to see. Whatever influence was to be effected must depend on personal friendship and on the force of arguments presented.

Being in Peking for only six days, I had the opportunity to confer with ten of the Manchu and Mongol nobility, half of whom received me by special appointment, and the other half saw me on the first presentation of my card. To seven others I handed documents bearing on the situation, and with the subordinates of three of them I had the privilege of explaining the present crisis.

Consultation was congenial, because we held many views in common, and because we grieved for mutual friends who had been called upon to suffer. It was probable for this reason that offense was avoided in arguing for a momentous action, to which some might naturally be disinclined. The experience was such that in one's lifetime will never be repeated. The passing of a dynasty, which I regard as illustrious—this was the sorrow; the possibility of a bright and enlightened era under new conditions—this was the hope and the joy. "Rejoice with those that do rejoice," and, equally important, "Weep with those that weep."

Among the Peking nobles whom I was honored in seeing were Prince Na (not Na Tung) the leading Mongol Prince, from Outer Mongolia, Chief of Chamberlains of the Presence; Duke Poh, grandson of the distinguished Seng Wang of Taiping fame, likewise a Mongol from Outer Mongolia, and another Chamberlain of the Presence; Prince Kung, grandson of the well known Prince of the same name, legitimate heir to the Throne, and sterling reformer in the anti-opium crusade; Duke Tsai Tseh, one of the five imperial commissioners to investigate the constitutions of foreign governments, the late President of the Ministry of Finance, and a Chamberlain of the Presence; Duke Yu Lang, lately Chief of Staff in the Imperial Army; and Duke Kuei Hsiang, brother of the late Empress Dowager, and father of the present one. All these, except perhaps the last one, were reported to be opposing abdication. There were only two others of the same party, whom I did not see, brothers of the Prince Regent, and uncles of the Boy Emperor, Tsai Hsun and Tsai Tao.

I reached Peking, just when everyone was expecting the edict of abdication. In some way, unknown to me, a hitch had taken place in the negotiations between the southern faction and the Premier, and the edict was delayed. This caused several of the nobility and ex-officials to grow suspicious of Yuan Shih-k'ai, and to renew feelings of repugnance to the proposition of abdication. It was under these circumstances that I proceeded to carry out my own voluntary mission, while latent but intense excitement was growing throughout the capital.

The conversations which I had with the ten men of Manchu and Mongol nobility, lasting in each case from one to two hours, were limited almost entirely to the one subject of abdication. They listened with open-mindedness to what I had to say. Manchu courtesy was all the more to be commended when one bears in mind what was the subject to be discussed. All that was said to me I am not at liberty to record except as to their general attitude. What I said to them may be stated with greater freedom.

In outlining the arguments presented, I will give them in the personal form substantially the same for each conversation:

"There are five paths for you to follow. The one is not to abdicate, with the possibility of continuance of fighting. In this case the Manchu House must provide the money for the Imperial Army in the north. If you do not so, the Imperial Army will turn against you, as have the troops and the navy in the south. The second path is not to abdicate and to wait for the National Convention to decide for a republic. By not yielding now, you will be at a disadvantage in the new government. The third path is not to abdicate, and to wait for the National Convention to decide for a monarchy. In this case you will likewise be at a disadvantage. The fourth path is to turn from alliance with the Chinese and seek alliance with Japan. At best you will be limited to Mukden and southern Manchuria, and come under the protectorate of Japan. The fifth path is to abdicate now. This is the one I exhort you to follow."

"Our purpose," said Duke Tsai Tsen, "is to wait for the decision of the National Convention."

"This" I replied, "is the one which I have likewise advocated, but, considering the facts as they now are, I urge immediate abdication."

"There ought to be discrimination," I continued, "between two different points and two different responsibilities. The one is abdication, which rests with the nobility and the Empress Dowager for decision. The other is a subsequent one, that as to a republic or not. That rests with the Premier in negotiation with the party in the south. If a National Convention is agreed upon, you can then, I think, take a part, and argue your own views."

"I do not favor a republic," said nearly all the men I met. "We want a constitutional monarchy, according to existing plans."

"Neither do I favor a republic—for China," I could honestly add; "but this is not the question now, or for the Princes to discuss. The question is only, abdication or not."

I then proceeded to point out the advantages for immediate abdication, "According to the present constitution, after the Prince Regent was forced to swear allegiance to the Nineteen Articles, you have no power at all. You are princes and dukes only, with privileges inside the palace. The dynasty is Manchu, but the government is Chinese. The ignoble part was two months ago. To give up an empty name is a small matter. You stand a better chance in some new government, than you have in the present one, for the Manchus, Chinese and Mongols will all be equal, while now, in the Manchu Dynasty, with all your titles, you are really unequal to the Chinese."

This point was appreciated especially by those who have held official positions in the past, but now, because they are Manchus, are excluded from any voice in the government of the nation.

My next argument was somewhat as follows: "By abdicating now, you remove the hatred and enmity between Manchus and Chinese. The cry that has stirred the revolutionary movement has been: 'Down with the Manchus.' Manchus all over the country have suffered. They have been your friends and mine. Withdraw now, and any further conflict will be between Chinese only. If you yield the Throne as well as in other things, there will certainly be no further cause for ill-will, so far as you are concerned. In a short time you will all be brothers."

"By abdicating now you will be acting for the peace of the whole country. In eliminating the question of the retention of the Manchu House, you will make it easy and safe to discuss the question of republic or monarchy with far less personal animosities. By abdication now, there will be little likelihood of further fighting. Whatever fighting is still to occur among the Chinese will not be against the Manchus, but against the new Government. So far as you are concerned, your withdrawal will be for the public good, and to save the lives of the people."

"To yield is oftentimes good policy. In the west we have a saying, 'Stoop to conquer.' In China there is a similar idea, 'To yield is to obtain.' If the Manchu House now yields to the wishes of the people, it will follow the example of the son of Yao and the son of Shun."

These arguments thus briefly stated met with the approval of every one to whom I spoke. Other arguments were received somewhat differently.

"This is not the first time in China a Dynasty has come to an end," I further argued. "You yield to the destiny of Heaven. Retire gracefully and in peace. The Manchu Dynasty may end, but Manchus remain. If you are capable and upright your services will be needed. The country remains, though dynasties come and go. I am sure the wisest men in the Republican party are desirous of securing your withdrawal in the most honorable and civilized method possible, superior even to the case of Brazil."

"But this is not China's way," said one. "There is no example of an Emperor issuing an edict of abdication."

"This may be true," I replied. "This is a new method. Past dynasties have waited for conquest and destruction. I recommend no destruction, but peace for the Manchus and peace for the country."

I then presented this argument in another form:

"The Provincial Republic has made promises of honorable treatment under eight specifications. You secure favors by abdicating now."

One noble said: "We don't want these favors."

"You yourself," I replied, "may not want them, but they are for the good of the Emperor and all Manchus, and I fancy there are many who will be glad to accept."

Others made this query: "What evidence is there that the promises will be kept?"

I answered: "The promises have been declared to the world. They will not dare to break their word. If necessary, the provisional republic might have this contract recorded at every Legation and at The Hague."

Another objection to the abdication, rather than to any particular argument in its favor, was this: "Both Manchus and Chinese have threatened us, if we favor abdication."

My answer was: "As to Chinese generals opposing, I think it is opposition more to the Republic than to abdication. As to Manchus, you will need to issue proclamations in the city. And in the edict to be issued, make it the most dignified one that the Dynasty has ever sent forth. Record your glorious past, and refer to nothing of which you may be ashamed."

"True," more than one said, "but the writing of the edict does not rest with us, but the Premier."

"Be it so. Yuan Shih-k'ai can be trusted to do his work creditably, and you have a chance to see the edict and suggest changes."

Another question asked by nearly all was: "After abdication what will be the government?"

"That is to be left to the Premier to arrange with the provisional republic. If you accept the promises of this republic, you naturally roll your responsibilities onto them. For the preservation of order, the edict could also instruct the Premier, the Cabinet, and all officials now loyal to the Throne, to continue in the performance of their duties, until a national convention is called to decide the form of the new government. In any case, by abdication you relieve yourself of all the burdens of the Empire, which you hand over to those ready to take them."

Another statement made was: "We cannot ask the Empress Dowager to abdicate. She must act for herself."

"But you ought to have compassion on the Empress Dowager. She has not had the experience of the former Empress Dowager. You should act in unison. If abdication is really reasonable, then all together so advise the Empress Dowager. Pity her and the little Emperor. But, if you cannot unite on such a Memorial, at least refrain from further opposition."

In finishing my visit to friends among the Manchu and Mongol nobles, it was with the conviction that any delay would not be due to them, so much as to the difficulties in effecting a satisfactory arrangement as to a provisional government. If princes, dukes and other Manchus should still hesitate to say the final word, is it any matter of surprise? I am only surprised that the men I saw received me at all, or listened to my words, "Faithful are the wounds of a friend."

Before leaving Peking I had the honor of receiving the following anonymous letter: "You have come north to blow for a republic. Verily you seek death. We cannot bear to see harm befall you. We beseech you to return south at once. If not, your life is in danger. Go quickly, go quickly, go quickly."

And thus my mission is ended. A kind Providence has watched over my journey. It prompted the words which no one else could utter—a friend speaking to a friend, for a cause hard to bear and sad to think of, but for the good and the peace of the land. May wise men, and just, be raised up, in these perilous days, to lead the nation along paths of glory, liberty and righteousness

THE WELCOME TO AMBASSADOR BRYAN.

(From the Japan Advertiser, January 21.)

In what was perhaps one of the most enthusiastic gatherings of its existence, the American Asiatic Association of Japan last night welcomed, formally, Col. Charles Page Bryan, Ambassador to Japan from the United States.

The formal welcome by the society followed a general reception given at Yokohama by Consul General Sammons in the afternoon, and the banquet at which the sentiments of the society were voiced was held in the dining room of the Grand Hotel at 7.30 p. m.

The welcome to Ambassador Bryan proved a general and hearty one from Americans and Japanese. Indeed the most prominent feature of the occasion, excepting the greeting to the Ambassador by Mr. Blake and the response by the representative of the United States, was the speech by Mr. McIvor on behalf of the Japanese officials who were present.

In the course of Mr. McIvor's remarks he referred to Baron Sufu, retiring Governor of the Kanagawa prefecture. He called attention to the fact that the governor had always shown an interest and an active interest in the social undertaking of the Yokohama community. He had at all times, he said, done what he could to bring the Japanese and foreign community into closer union, and had gone to the extent, on his own motion, of organizing the Yokohama Social Club for this purpose.

"The governor's whole career here," he said, "has shown that he was influenced by no prejudice which was really against foreigners. I know of many acts of his which have led him to go out of his way to do justice to foreign interests. There has been only one incident as to which certain critics have claimed that he has shown a prejudice against us. But while I have had nothing to do with the discussion of this question, I am absolutely satisfied that the governor, under the technical conditions which surrounded the case, did nothing more than that which it was absolutely necessary for him to do in protecting a technical right.

"I am satisfied that he was probably more sorry for the result of this necessary act than any one of us. And therefore it would be futile to charge against him for doing of it any prejudice against foreigners."

Following the banquet Consul General Sammons, as the representative of the American commercial interests in Japan, proposed the health of the Emperor, which was drunk, the orchestra playing the "Kimigavo." Baron Sufu, former Governor of Kanagawa, then proposed a toast to the President of the United States. A number of short remarks followed the general speaking of the programme, and at the close there were sung national songs.

ARRANGEMENTS OF THE TABLES.

The banquet tables were arranged in the shape of a horseshoe, with the speakers seated at the closed end, and the guests at both sides of the extension, which reached to the foot of the main dining room of the Grand Hotel. Immediately at the back of the seat occupied by Ambassador Bryan was a portrait of the American diplomat, draped with flags and green. In the centre a silver eagle, draped with flags, was perched upon a pedestal. From the the sides of the large room and from the corners arose graceful bamboo trees, which met below the ceiling and made a bower of green which stood above the entire party. The room was also decorated with potted plants and sprigs of green, with flag decorations dimming the illuminations.

MR. BLAKE'S SPEECH.

Mr. Blake spoke as follows:

Your Excellencies and Gentlemen—The turn in the diplomatic wheel of fortune has brought us as our representative to the land of our temporary adoption a tried and trusted servant of our Government.

It is in consequence of this that we have met together here this evening, and it now becomes my duty and high privilege, on behalf of the members of the American Asiatic Association, to extend a most hearty and cordial welcome to our newly appointed Ambassador Colonel Charles Page Bryan.

It is not my purpose to embarrass our guest of honor this evening by any extravagant panegyric on his brilliant achievements of the past in the diplomatic service of his country. I shall content myself with observing that he comes to us as a trusted friend of our great and good President, with an honorable record of distinguished public service to his credit and a gentleman in every way qualified for the position of trust and honor which has been committed to his care.

Fortunately the relations existing between Japan and the United States today are of the most cordial description the hand of friendship has been offered and accepted.

We must attribute the credit for this happy condition of affairs to the wisdom, the courage and the patriotism of the statesmen of both countries, but in our own country the guiding hand has been that of our illustrious President. No man has ever worked harder or more conscientiously in the cause of international friendship than he, and no man in our own or any other country has seen his efforts rewarded with a greater measure of success.

It being admitted that our political relations with Japan are on a sound and satisfactory basis, it remains for us to turn our attention to the development of our commerce. If Japan would only buy from us to the same extent that she sells to us, we would register a vote of unqualified satisfaction, but that perhaps is hardly a reasonable expectation of the immediate future; but nevertheless the present disparity between our imports and exports is too great to be allowed to pass without comment, and it should be the duty of our merchants, our consular officials and our diplomats to assist in putting our trade relations on a more reciprocal basis than they are at present.

There is something more than the mere desire for gain underlying these suggestions; there is a sentimental reason as well, the importance of which cannot be overestimated.

We have other and sometimes more important objects than the quest for the almighty dollar, one of which is the cultivation of friendship among our own members, and also between them and our national representatives, and it is to be hoped that this gathering will assist in serving both those purposes.

I hope your Excellency will not conclude that it is merely a perfunctory duty which we are performing here this evening. We are truly and sincerely glad to have you as our Ambassador to Japan, and your career, which we hope and believe will be one of unmeasured success, will be followed by us with the interest and sympathy which is due from the ordinary citizen to his country's representative, and we will at all times be ready and willing to render you all the assistance within the limits of our capabilities.

THE AMBASSADOR'S SPEECH.

Ambassador Bryan in replying to the toast of the President of the United States prefaced his remarks by saying that he was deeply grateful for the manifestation of good will and respect for the country's representative exhibited in the banquet. He also referred to the fascinating novelty of experience in new fields of activity and the hearty welcome he received both while en route and on arrival at Yokohama.

Continuing he said in part: "You are right, Mr. Chairman, in stating that the great problem confronting most of you gentlemen is the development of our commerce with Japan. The balance against us, which is not peculiar to this country, can only be overcome here as elsewhere by strenuous efforts to promote the prosperity of the country where we are seeking buyers; and that is why the stupid policy of the foreigner who settles in a country for business purposes and then discredits his neighbors is no less than idiotic. Naturally the interchange of trade is the surest and most practical guarantee of peace. Unless some great moral issue is involved, even the most patriotic citizen is not apt to loosen the purse strings when the whole financial basis of his country may be shaken. While our best policy is to adhere strictly to American standards, which have always been high, and hence successful, I doubt if our manufacturers, seeking a foreign market, are in small things sufficiently adaptable to meet the varying tastes of other civilizations. If in tropical countries the tiller of the soil prefers plows and farming machinery painted in gay colors, why not accommodate his taste?

"I well knew and valued a certain foreign railway president in Rio Janeiro, who used to assure us that the best locomotive engineers he had ever known were the Brazilians, whom he employed, but that they worried him beyond endurance by decorating with gilt paper the exterior as well as the interior of their engines. Their innocent childlike love of tinsel caused him to dismiss the whole force and to employ in their stead a heterogeneous crew of men untried by him. One of these ran the president's engine and special car off the track into a ravine, where our poor friend came to an untimely end. Excuse such homely illustrations, but they may be of practical value should they prove a warning in even a single case.

"I have just read the utterances of a certain foreign peripatetic preacher in which he asserts that no successful business man can be honest. Let me say that I consider that so-called reverend individual either dishonest himself or mentally unbalanced. No rational being, believing what he says, could make such a declaration.

"I am glad to note that the foreign newspapers of this dual community manifest a spirit of helpfulness to all. In a faraway capital where I long resided as minister, the folly of an opposite policy was thrust upon me. A naturalized American citizen of scholarly attainments but dyspeptic disposition edited the only newspaper in our language. All the rest of us Americans were united in an effort to 'build up trade.' His fault finding discouraged American capital, hurt and seriously diminished American trade, and consequently nearly disbanded our once promisising colony.

"No practical success in our country, at least, can be obtained without the co-operation of the business man. And to you successful representatives of American business interests, I, as the representative of our country in this land of beautiful traditions and wonderful achievements, look for counsel and aid in whatever I may essay for the benefit of our common undertakings.

"I have one favor to ask of you in our relations, which I am sure will become ever closer with time, and that is unreserved frankness and unhesitating criticism, when criticism is necessary, to me directly, concerning all things that may be of benefit to us in our great aim. This surely is to increase the prestige of our country abroad and thereby the extension of our commerce, resulting in the better understanding with our friends throughout the Orient. Such I understand to be the main purpose of the American Asiatic Association. Never hesitate to come to me freely.

"I realize how many of you cherish the memory and pleasantly recall a whole galaxy of worthy representatives whom you have welcomed and encouraged as you have me. Devoutly I hope to prove worthy of such predecessors and of such good will. Earnestly I pledge you that my best efforts will be devoted to this end.

THE AMERICAN DIPLOMATIC AND CONSULAR SERVICE.

The enactment of the Sulzer Bill (H. R. 20044) insures:

That the consideration of the political affiliations of candidates would be prohibited.

That the successful passing of the prescribed examinations would be legally recognized as a prerequisite for foreign service appointments.

That efficiency is the only basis for promotion.

That the special efficiency of diplomatic secretaries, of consular officers, of departmental officers and employees, and of all persons who have passed the prescribed examinations would be brought to the attention of the President when recommendations for initial appointments, promotions and transfers are submitted to him.

That efficiency records would be kept of diplomatic secretaries, of consular officers and of officers and clerks of the Department of State.

That the proportional representation of the several States and Territories in the foreign service would be published at the close of each examination.

That diplomatic secretaries and consuls would be appointed to grades instead of to specified posts.

That orderly promotion would be made possible by the grading of diplomatic secretaryships.

That the scope and frequency of examinations would be legally established.

That the examining boards would be legally established.

That the reports of the examining boards would be in writing and would be published.

That the constitutional provision requiring the concurrence of the Senate to make the appointment of diplomatic and consular officers effective would not be changed.

THE TEXT OF THE BILL IS AS FOLLOWS:

A bill for the improvement of the foreign service. Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, that the President may make all appointments of secretaries in the Diplomatic Service and of consuls general and consuls to grades instead of to places, subject to the advice and consent of the Senate in each case.

Sec. 2. That the Secretary of State is directed to report from time to time to the President, along with his recommendations for promotion, or for transfer between the department and the foreign service, the names of those secretaries in the Diplomatic Service and the names of those consular officers or departmental officers or employees who, by reason of efficient service, an accurate record of which shall be kept in the Department of State, have demonstrated special efficiency, and also the names of persons found upon examination to have fitness for appointment to the lower grades of the service.

Sec. 3. That the secretaryships in the Diplomatic Service are hereby graded and classified as follows: Class one, three thousand dollars, secretaries of embassy; class two, two thousand six hundred and twenty-five dollars, secretaries of legation; class three, two thousand dollars, secretaries of legation and second secretaries of embassy; class four, one thousand eight hundred dollars, second secretaries of legation; class five, one thousand two hundred dollars, third secretaries of embassy or legation.

Sec. 4. That the board of examiners for the Diplomatic Service shall be composed of an Assistant Secretary of State, the chief examiner of the Civil Service Commission or such other officer as that commission shall designate, a law officer of the Department of State, and one other officer to be designated by the Secretary of State. The board of examiners for the Consular Service shall be composed of the officer charged with the administration of the Consular Service, the Chief of the Consular Bureau, the Chief of the Bureau of Trade Relations, and the chief examiner of the Civil Service Commission or such other officer as that commission shall designate.

Sec. 5. That the scope and method of the examinations shall be determined by the boards of examiners, but the examinations shall include business experience and ability, the resources and commerce of the United States, with special reference to the development of export trade international, commercial and maritime law and history, American history, government and institutions, and one language other than English. These examinations shall be held at least once annually, and shall be conducted with strict impartiality, and without regard to the political or other affiliations of any candidate; and upon their conclusion the boards of examiners shall certify in writing to the Secretary of State the names of those persons whom they have found to be, in their judgment, thoroughly well qualified for the Diplomatic or Consular Services; and the report of the board shall be made public; and the Secretary of State shall at the same time make a public statement of the proportional representation of the different States and Territories in the foreign service.

Sec. 6. That this act shall take effect immediately.

FARM COLONY FOR CHINESE FAMINE REFUGEES.

(From Consul Wilbur A. Gracey, Nanking.)

Much has been appearing in the newspapers of China lately regarding the establishment of a farm colony for the relief of famine refugees in acordance with a plan draughted by Prof. P. Bailie, of Nanking University.

The organization of the scheme is being rapidly pushed forward by an influential committee. Among the bodies represented are the Nanking University, the Foreign Christian Mission, the American Presbyterian Mission, the Nanking Chamber of Commerce, the Foreign Piece-Goods Guild and the Silk Merchants' Guild. The active support of many well known residents of Shanghai has been offered. Dr. Sun Yat Sen has joined the local committee and has shown his practical interest by placing at its disposal waste land near Nanking to be used for experimental purposes. The gentry of the district have promised liberal financial support, subscriptions to the amount of $3,000 having already been offered.

The main scheme is to found the colony east of Chuchao, 30 miles from Nanking and on the borders of the famine district, on the Tientsin-Pukow Railway. Until the revolutionary disturbances are at an end, however, nothing can be done with the land here. At the foot of the Purple Mountain 6,000 mow (mow = 0.2 acre) of land have been acquired, and the first step toward the completion of the scheme has been achieved. Some of the land cannot be utilized for farming, but fruit, particularly crab apples, can be grown over its entire area. Already almost 20 families have been installed, and they are busily engaged in working on the land suitable for farms and market gardens.

The workers and their families will receive financial assistance for their maintenance until the first crop has been harvested. Afterward they will be expected to support themselves and pay an amount sufficient to meet any Government tax on the property as a whole and interest on the money expended in giving them a start. There is a provision which will enable the tenants to pay a large portion of these taxes in labor, should cash payment be found too heavy a burden. The sum expended would be a first charge upon the farm, so that the colony would be secured against a defaulting tenant until such time as the money is repaid, the payment to be by progressive installments. An area of about 200 mow will be retained by the management of the colony and worked as an experimental station.

The essential merit of this scheme, according to the Shanghai press, is that the people chosen to work on the farms will be able to help themselves by productive labor. Families who have lost everything through the famine should be able, with careful management, to re-establish themselves by their own efforts, while the security of tenure offered should be the best possible incentive to good and permanently beneficial work.

The success of the plan will very materially depend upon administrative skill in its early stages, but once a fair start has been made there is no apparent reason why it should not be extended over wide areas.

ENGINEERING AND CONTRACTING IN CHINA.

(From Consul General George E. Anderson, Hongkong.)

The development of several Chinese ports along modern municipal lines has led to unusual interest on the part of many American engineers in the possibilities of engineering and contracting enterprises in China.

The matter of securing connections with development in such lines in China is one of extreme difficulty, and actual realized development itself is problematical and difficult for many reasons, the chief of which perhaps are the inability of the Chinese people to finance large undertakings in the way of waterworks, light and power plants, and various public utilities, and an indisposition on the part of Chinese authorities to grant concessions to foreigners for such purposes, and general uncertainty in the country as to all public matters, and particularly in the line of such public utilities because of the fact that to the mass of the people they are practically unknown, and there is little or no pressure upon public authorities in favor of them from the people at large. In spite of great progress along modern lines, most Chinese critics are not disposed to take up with these modern conveniences.

PRESENT AND PROSPECTIVE DEVELOPMENT.

The open ports and those portions of the country affected the most by foreign influence, either through contact with foreign residents in ports or by Chinese residents returned from abroad, are gradually taking up with foreign conveniences. Lighting systems are favored in many cities; waterworks also are favored, probably coming next in general estimation; the widening and cleaning of streets come next in the order of preference, and in time sewers will be wanted. It will probably be some time before even the most progressive of Chinese cities will adopt modern sewerage systems in all respects. Present Chinese methods of disposing of sewage and waste meet some of the necessities of Chinese life and are cheap as well as being much more effective than might at first appear.

Many of the larger ports and cities in China have electric light plants, and several have more or less modern water supply systems. Among the cities having more or less extensive electric light systems are Mukden, Tienstin, Kirin, Peking, Tsingtau, Chungking, Chengtu, Hankow, Wuhu, Changsha, Nanking, Shanghai, Ningpo, Foochow, Swatow, Canton and several other ports. On the other hand, practically none of these plants, except perhaps that at Shanghai, is of the capacity or service one might expect for a city of the size involved in each respective case.

Public waterworks systems have been undertaken in several cities, one at Swatow being now in the course of installation. In practically all of these undertakings it has been found that patronage and revenue have fallen far short of what naturally has been anticipated on the basis of population and similar considerations. This has been due both to overestimates in population, overestimates of the capacity of the people to use these utilities, and an underestimate of the conservative feeling of the Chinese people toward such undertakings and conveniences.

Assuming these great undertakings are wanted in Chinese cities, however, the means of obtaining them are not so readily at hand. In general, two methods suggest themselves: One to grant a concession to a private company for the establishment and operation of the enterprise; the other to establish and operate it through Government ownership. In the way of Government ownership it is to be noted that the Chinese system of government so far has not been such as to differentiate any city as a distinct municipal corporation or organization. Chinese cities are parts of districts which in turn are parts of provinces.

A Government undertaking in a Chinese city, therefore, is largely an undertaking of the provincial government, and it is difficult to move a provincial government in a municipal matter. Nevertheless, almost every city of importance in China has one or more public utility enterprises in hand or under serious consideration, either in the way of a public lighting system, which is the service apparently the most popular in most cities, or a public water system, which perhaps is needed much more, but whose cost and successful introduction is a matter of more serious consideration. In most of the more progressive Chinese cities there is also something of a spirit of improvement shown as to cleaner streets and an effort to widen and improve the streets. In few of them, however, has this movement gone so far as to lead to serious consideration of street paving on a modern basis.

ATTITUDE ON FOREIGN LOANS.

There is in all such undertakings the great question of policy of foreign loans or no foreign loans for China's undertakings, one party among the people favoring the placing of loans for such purposes, another, and generally a stronger party, favoring the policy of borrowing no foreign capital for such purposes. However, in one or two cases in South China loans for such purposes have been placed and various public utilities undertaken. In the way of concessions to private concerns Chinese authorities have followed for some time the policy of granting no concessions to foreigners. In some cases concessions are granted to Chinese companies which in fact are concessions to foreign connections of such companies.

The general policy is for such companies to receive concessions and go about their development in their own way. The raising of money for such undertakings is difficult. There is comparatively little ready money among the Chinese, and such enterprises are new, their profits uncertain, and their management is questionable. Money for such affairs comes slowly and in small amounts and is more in the nature of popular subscription than a business investment in many cases. It must be confessed, also, that the experience already had with such companies in China has not been such as to promise much return from investments in public companies of Chinese organization and management, and Chinese business men have yet to prove their ability to handle the affairs of such cor-

porations with success. In the way of public utilities few, if any Chinese, have any experience in the management of any such lines of business, but while they have this lack they are often not disposed to or are not in a position to employ foreigners for the purpose.

CHEAP LABOR CONSIDERATION—NATIONAL SENTIMENT.

Construction in all lines in China generally will proceed according to other methods than those obtaining in the United States, for the presence of so much cheap, though untrained and unskilled labor, upsets all calculations based upon American machinery, organization and means of construction. Hence the practical installation of any of these public utilities in Chinese cities must be considered from a different viewpoint from that common in the United States or Europe. Public utility plants in China for some time to come also will probably be established upon a basis of low cost. There will be exceptions to this rule in cases where plants are planned and established by foreigners for the Chinese, but this reflects the disposition of the Chinese in the matter.

In the organization of such concerns also there is a strong disposition to employ Chinese engineers or, in case foreigners are employed, the engineers resident in Hongkong or Chinese ports—and there is a surprising number of such professional men in this field. In practical work most of such concerns established in South China have been under the engineering control of firms selling the materials for the enterprises. In fact, this plan of operation and the course followed by the commercial representatives of some European nations (particularly Germany) in arranging for financing these undertakings may be said to dominate the situation.

There are in the South China field firms prepared to sell a complete electric light and power equipment, for example, to a Chinese company having a lighting concession and to extend payment for the equipment over a long time—a period ordinarily representing a sinking fund or a depreciation fund's operation—and to furnish the technical supervision and skill for the construction of the plant, and even in some cases extending to its operation for a considerable period after its establishment. That such foreign supervision is necessary is evident from the fact that where companies organized by Chinese have done away with foreign help after the establishment of their plants they have almost invariably not prospered. For the lack of effective management the electric light concern at Swatow, for example, was compelled to reorganize, foreign supervision and management making a success out of the enterprise after failure under native management alone.

Financing the establishment of these concerns is not only a matter or original outlay or lack of capital on the part of the concerns, but inasmuch as the interest charged by selling firms on deferred payments is ordinarily about 6 per cent., while the Chinese companies will have no difficulty in loaning their company funds out at 8 to 10 per cent. interest, or even more at times, on good security, the companies take advantage of the lower rates on deferred payments to make some money for the lighting company by loaning its funds. In general, a case in which such financial aid for such undertakings in China at present is not required is exceptional. It may be added that European electrical and other houses have agents all over China working to secure such business on such a basis. The cost of such a system on the foreign manufacturer is great, and it is doubtful if the business is profitable, but such is the present state of things in this business in China. Such a system cannot long endure, for it is essentially vicious from a business standpoint, but at present it controls.

It is probable that before any extensive development of public utilities in China can be had there will have to be a complete change in methods of financing and organizing such undertakings. There must of necessity be a more thorough and distinct organization of municipal governments, that responsibilities for municipal undertakings can be more perfectly fixed and costs assessed in a more perfect manner upon those deriving benefits; and there must be a more perfect organization of Chinese corporate or company enterprises to protect creditors, not only against mismanagement and irresponsible action, but against the positive fraud which has characterized the constitution and operation of some of these organizations.

In general, it may be said that the possibilities of immense development of public utilities and other forms of engineering enterprise in China are almost without limit, but development will not be rapid as a rule, and where it is rapid it is likely to be unsafe. In any event it must be looked after by men on the ground.

PROGRESS IN THE CHINESE REPUBLIC.

ADVANCE OF EDUCATION.

In a circular telegram sent by the Secretary of State for Education under the new Chinese Republic to the vice president and various military governors, he urges the importance of the resumption of educational work on a modern and uniform basis. He outlined a set of temporary rules and regulations for the guidance of the educators of the nation, the most important of which stipulate: (1) All district elementary schools shall resume their work on March 5 of the first year of the republic, and higher schools and training schools for teachers shall do likewise so far as their finances will allow. (2) In the first grade of elementary education boys and girls are allowed to attend the same schools. (3) All text books must be compatible with the spirit of republicanism. (4) Classical studies are to be abrogated in elementary education. (5) Elementary handicraft departments shall have special attention.

The Chinese press recently announced: "As lawyers will be allowed to conduct cases for their clients, in civil and criminal suits, at the court of justice of the Chinese Republic, some rules and regulations for the guidance of the profession are essential. An association has been formed, and rules which are set forth in 18 articles of 6 chapters, governing members and their practice, subject to future revision if necessary, have been drafted."

Relative to legal procedure under the old régime, the New International Encyclopedia says in part:

"Chinese law is a growth of many centuries, and is based on immemorial custom. Though voluminous and complex, it is regulated by the fundamental principle of parental authority. The laws are divided into *lut* and *lai*, that is, fundamental and supplemental, the former permanent, the latter liable to revision every few years. The criminal code is remarkable for the conciseness and simplicity of its language. Lawyers, in the Western sense of the term, are unknown, and those aiding prisoners form a class not allowed in court. Oaths are taken on a cock's head chopped from its body. In theory the acused is already guilty, and a Chinese judge acts as prosecutor as well as arbiter."

CHINA IN 1911.

(From the North China Daily News.)

In looking back over the events of last year it seems at first sight well nigh impossible that anything worthy of note can have happened prior to the outbreak of the revolution. So tremendous have been the changes wrought by the past three months, so overwhelming the downfall of the old order, that everything else in comparison seems petty and negligible. On closer investigation, and reading the past in the fuller light of the present, it may rather be apparent that even the most trivial events have had their influence in shaping the ultimate result. At the close of 1910 we wrote: "It may be held that at the present juncture the Chinese Government expects to find its more serious foes within rather than abroad." So at the close of 1911 it is possible to see one common purpose underlying all the desperate efforts of the Throne to centralize authority in its own hands, to replenish the treasury exhausted by the extravagance and corruption of the Manchu nobility, to fence itself about with a new army and a new navy; and on the other side to trace a new significance in the increasing boldness of the popular demand for financial and constitutional reform, in the utter rebellion of the provinces against the State railway policy and in the continual stirring of the forces of revolt which, like the puffs of sulphurous steam that prelude an eruption, foretold in perpetual small risings the ultimate explosion. It is easy to be wise after the event. Even to the most acute foreign observers the centralization of authority typified in Sheng Hsuan-huai's railway policy appeared to be the most practical means of maintaining the unity and furthering the development of the empire; and spasmodic risings in different provinces bore no outward appearance of any deeper disaffection than what the Manchu Government had successfully overcome in bygone years. Indeed, but for the premature outbreak at Wuchang and the success that attended it, the year might have ended with the same more or less comfortable assurance that the revolutionaries, however righteous their cause, were too closely watched to be able to overturn the vast Chinese Empire. It is openly admitted now that the revolution came six or eight months too soon. Had the movement abided its full time we are told that the whole of China would have turned as one man and there would have been no bloodshed. But then, it may be retorted, if the Manchu Government had paid and fed and housed its troops properly, there might have been no revolution at all. It is always interesting to speculate on the "might have beens" of history, but seldom profitable.

THE PLAGUE IN MANCHURIA.

It will, perhaps, be preferable to take the events of the year not so much in chronological order as in groups, thus showing how different circumstances combined to one end; and in the first place it will be convenient to dispose of those things which were either entirely abnormal, such as the plague in Manchuria, or only indirectly connected with the social revolt, as the floods in Central China. The outbreak of pneumonic plague was the first actually signaled as long ago as October 12, 1910, at Manchourie, the border district of northwestern Manchuria and Siberia. A month later two cases were signalled at Harbin, and thence the epidemic began to spread rapidly following the normal roads of travel by rail, river and sea with curious exactitude. Kuanchengtze was attacked on December 14, Mukden on January 2, 1911, which was also the date of the plague being notified at Peking, and by February 7 it had spread even as far as Tsinanfu in Shantung. It was not until the beginning of the return of warm weather that the plague was stayed, and in its course it was estimated to have caused some 46,000 deaths in Manchuria alone. How the plague was traced in the tarabagan, or marmot, which inhabits the wide plains and wastes of Mongolia and Central Asia; how the local hunter instinctively changes his hunting ground when the marmot is sick; and how the immigrant hunter from the south, with less experience, persisted in this trapping even when the marmot failed to utter its conventional cry of "Pu P'a, Pu P'a" (no harm), and thus brought back the deadly bacillus to scatter it in the filthy kitchens where the peasants of the cold north crowd together for warmth—these things are well known as a part of the dark romance of plague. The whole sequence and operation of this frightful disease have now been so thoroughly investigated that if and when another outbreak occurs, as such outbreaks have ocurred in the past, it will find the world well prepared to meet it. For this undoubtedly too much credit cannot be given to the enlightened policy of the Chinese Government, prompted by the example of Viceroy Hsi Liang, of Manchuria, and stimulated by the work of Dr. Wu Lien-teh, who had had his early training in the medical schools of Cambridge, and by Alfred Sze, of the Waiwupu. Foreign advice was widely sought and eagerly followed; minute supervision, quarantine and isolation and, perhaps, most wonderful of all in view of Chinese burial prejudices, cremation of the bodies of plague victims, were rigidly enforced. In short, neither money nor personal effort was spared to exterminate the disease; and long before any signs of abatement were visible the Chinese Government had sent out invitations to nearly every nation to send delegates to an International Plague Conference to be held at Mukden. The first meeting of the conference, which was attended by medical men from Austria-Hungary, China, France, Germany, Great Britain, Holland, Italy, Japan, Mexico, Russia and the United States, was held on April 5, and the investigations were pursued for four weeks, after which the delegates were taken to Pekin to be received by the Prince Regent. That the dstruction wrought by the plague was almost, if not wholly, unsurpassed in history, goes without saying. The foreign community had to mourn the death of two of its members, Drs. Mesny and Jackson, who sacrificed themselves in the fight for others, while China was further deprived of the honor of entertaining the German Crown Prince, whose tour of the world

it was deemed advisable to cut short at India. But the emergency was nobly met, and, to quote the words of Prince Chun to the delegates, will indeed remain as a new and bright page in the history of China. It may here be noted that a few cases of plague, on this occasion the usual bubonic variety, occurred in Shanghai in May, and again in August, on both occasions being for all intents and purposes traceable to the Chapei district. But although plague unfortunately appears to have gained a footing in the environs of Shanghai, we may believe that the methods of fighting it are too well understood and too effectively organized for it ever to become a formidable danger to the municipally controlled area.

FLOOD AND FAMINE.

As if the farmers of Anhui and Northern Kiangsu had not been sufficiently punished in 1910, the past year was marked by floods throughout almost the whole of Central China such as have probably not been exceeded in the history of China. Excessive rains during June and July caused the Yangtse to rise to an abnormal degree, and even as late as August 29 the watermark at Wuhu was 30 feet 2 inches, or 10 inches higher than anything previously recorded. Between Hankow and Ichang the country was inundated for scores of miles, so that the whole area presented the appearance of a huge inland sea, and even at Hankow the water nearly overtopped the Bund. In western and northwestern Hunan, continually endangered by the variable quantity of the Tungting Lake, thousands of acres of rice fields were inundated, even the largest of the barriers that have in course of time been reared against floods being broken through or simply overflowed. Some idea of the flood's magnitude may be gathered from the fact that a Changteh the water rose even on the north side of the city to a height of several feet, and but for the magnificent energy of the Magistrate Niao, who stepped down into the rising water and personally helped to shore up the gate, the city must have been swamped. At Kiukiang the lower parts of the town were submerged: at Wuhu the water stool 6 feet deep in the streets for some weeks together, while the countryside for a distance of 100 miles up and down the river was transformed into a huge inland sea varying between 40 and 80 miles wide. In the Huai Valley district the conditions were equally deplorable, though, of course, without the aid, here, of the Yangtze. At Nanking the suburb of Hsiakwan was inundated and the water even penetrated within the city itself; while in the country round refugees by hundreds took temporary refuge on the railway embankment, as the one solid piece of ground available. It may also be remarked that the Swatow district suffered greviously from floods in the past summer, and an urgent appeal has been issued for aid by the foreign committee that is interesting itself in the matter.

Apart from the immense loss of life and property and the dangerously unsanitary conditions to which floods naturally give rise, a serious shortage of rice was threatened in the market. In the first week in September the price of rice rose in Shanghai to $11 a picul, and even to $12, but it remained at the latter point for only a few hours. Steps were taken to obtain supplies from the south, and conditions were gradually restored to a proper state. Indeed, there can be no question that the whole affair was largely explicable by the hateful process of cornering, which in all famines causes at least as much misery as the natural, or unnatural, conditions of the land. Several small riots were fomented by the shortage, and at Changzoh in the Soochow district a foreign mission was looted. In Pootung the women solved the question by helping themselves to what they required. Needless to say the miseries of the famine area received immediate attention from foreign friends, and with a view to stimulating the Chinese Government to action the American Red Cross Society deputed C. D. Jameson, an engineer of many years standing in China, to survey the famine districts of Kiangsu and Anhui and report on what should be done in the way of widening existing water courses and digging new ones for the future safety of the country. This survey was undertaken in August. On September 19 the old Central China Famine Committee wound up its affairs, and from total receipts of $1,526,012 handed a balance of $77,526 to the new committee, composed of the most representative foreigners and Chinese, which was formed at the same time. This committee is proceeding wherever possible on the lines of "no relief without work" in order to avoid the evil of pauperization, and no aid where Chinese landlords should undertake such work themselves. In this manner the committee has done much to restore public approval of the methods of famine relief, and is already in a position to do great work, as soon as the disturbed state of the country, due to the revolution, permits.

THE CONSTITUTIONAL MOVEMENT.

In the ultimate prosperity of China, as in the immediate settlement of disorders stirred up by the relaxation of authority, the question of famine areas must count for much. It is undignified, demoralizing, impossible, that China should continue to look abroad for recurring assistance against a calamity which is clearly preventible. As the Imperial Government grappled with the plague, so we may be convinced the new Government will grapple with flood and famine. Meanwhile it is time to deal with the final events that have brought that new Government to the birth. On January 11 the National Assembly was formally adjourned. The first session of this momentous gathering had lasted just over three months; and if it did not give more proof of constructive ability than might have been expected, it surprised many by its incisive disposition to criticise and by its ability, paralleled by the behavior of the Provincial Assemblies, to take the law into its own hands in the discussion of subjects which it was never meant to discuss. Among the most important of its accomplishments was a vigorous indictment of provincial loans, objection being particularly raised to the 3,500,000 tls. contracted under the recommendation of Viceroy Chang Jenchun to meet the finanacial crisis in Shanghai of July, 1910. It also appointed a Budget Committee which drew up a very fair report, considering the magnitude of the task and the shortness of the time, on the national finances, the effect of which, if adopted, would have been to convert

a deficit of 36,000,000 tls. into a surplus of 3,500,000 tls. In May we find the members of the Tszechengyuan preparing to send a delegation to Peking to expostulate with the Throne on the non-adoption of this report, which would seem to have gone the way of all similar demonstrations; and in between whiles in their provincial retreat, the members further formed themselves into two bodies, one for the study of politics, the other devoted to the progress of constitutional government. In response to urgent appeals the date for the reassembling of the Tszechengyuan was anticipated by a month, and it was to this body that the Throne vouchsafed the famous Nineteen Articles of Constitution which fell so lamentably short of the effect that was hoped for them. But the Tszechengyuan, like the Rump in the days of Cromwell's Protectorate, fails to satisfy popular aspirations, partly, it may be on account of the large admixture of officialdom in its constitution, and less than a month ago it was publicly repudiated by the southern revolutionaries, notwithstanding that the Provincial Assemblies, curiously enough, continue to hold their own.

ANTI-MANCHU FEELING.

Meanwhile, throughout the year the working of the new leaven has been visible in divers ways. The Self-Government Bureaux have been increasingly active, and have played a considerable part on more than one occasion of open strife. What, however, must be noted is that these outport correspondents have teemed with references to the masses of the people as their name would imply, and in one instance certainly, that of a recent Pooting riot, they were the first to suffer at the hands of the mob. Early in the year the agitation for the abolition of the queue, which, as a mark of subservience to Manchu domination, is specially obnoxious to the reform party, took active form. Curiously enough this piece of amendment was given greater prominence in the published doings of the Tszechengyuan than even finance or the misdeeds of the Grand Council. Throughout the year the letters from all our outport correspondents have teemed with references to the increasing rejection of queues. In Shanghai Dr. Wu Tingfang was a prominent example of the new fashion, and on January 14 a formal meeting was held in Chang Su-ho's Garden, at which a large number of queues were publicly removed. The year closes with the adoption, more or less open, of forcible methods to compel those to conform who still cling to the old mode. Another remarkable movement began in June, in the shape of an anti-cigarette league. The progress of this campaign cannot as yet accurately be measured, but there seems reason to believe that it has already made some strides. About the same time news was also given of a rational diet league, which, however, has not further advertised itself. Neither of these movements certainly could be described as anti-dynastic or revolutionary in the usual sense of the word. Yet as signs of the radical tendencies at work they are worth noting. The enormous increase in popularity, dating from April and May, of the body known as the Shanghai Merchants' Volunteer Corps, is also extremely significant. The formation of this corps dates from the year 1906, but its practical development on military lines may be described as an affair of the past few months. The motive power would seem to have been imparted chiefly by the prevalence throughout China in March and April of rumors of the partition of China. But whatever anti-foreign spirit underlay this and other undertakings was very cleverly turned to account by the revolutionary leaders, for the inspiration of common cause against the Manchus. Throughout the year insistance on that cause becomes plainer and plainer. It is the prime object of the People's Society formed by Chinese students in Japan in May; it is preached in season and out of season by the native newspapers, particularly in the south, whose influence and number have assumed tremendous proportions; it is the burden of every stealthy, popular street lecture. Constitutionalism, national freedom and extermination of the Manchus went hand in hand on the programme of every reformer, the last requirement being the indispensable condition of the two former.

THRONE AND COUNCIL.

Peking is proverbially blind to what goes on in China. One generation succeeds another inside the Forbidden City. They go not out into the large world; and those few who in late years have done so, have either traveled with preconceived ideas, dead to instruction, or have been powerless to bring any breath of air and life into the hothouse atmosphere of the court. It is a small point, but worthy of note that in March died the famous Li Yienying, for forty years chief eunuch of the late Empress Dowager and the most powerful man of his time in China. To what extent he and his fellows have been indirectly responsible for the uprising against Manchu ascendancy it would be difficult to say, easy, perhaps, to guess. Yet for all its sublime ignorance there were signs that the conservatism of the palace had been shaken by recent happenings. Thus on February 13 a rescript was issued in answer to a draft budget submitted by the Ministry of Finance, which, after referring to the plain hints given by the Tszechengyuan in favor of retrenchment, continues: "We are improving Our general government and developing Our finances * * * metropolitan and provincial authorities must work together in mutual support, in order that there may be no reckless expenditure in the reform schemes." Again, on February 24, an edict was isued in response to a memorial by the Ministry of Justice, which was aimed at that unquestionable source of grievance, the continuance of corporal punishment. "All the former cruel tortures and unauthorized devices of punishment shall be forever abrogated," announces the Throne. It would not be necessary to travel a hundred miles from Shanghai to learn how utterly futile even this apparently final decision has been. Lastly, it will be remembered that through the course of the floods there was quite a series of edicts announcing the distribution of doles from the Imperial Exchequer for relief of famine sufferers, the hopeless inadequacy of which naturally served to intensify rather than mitigate the feeling against the Throne. But of all edicts issued prior to the days of civil war none assuredly was more important, in itself and as regards its consequences,

than the one of May 8, promulgating a cabinet and privy council for China. Its institution implied, ostensibly, the abolition of Grand Council and Grand Secretariat; in reality there is much to be said for the contention that it intensified them. In functions, the business of the Cabinet with the Privy Council was personally to advise the Throne, and to assist it in undertaking the responsibility of government. The Cabinet consisted of the President and Ministers of State; the Privy Council of a President, Vice President, thirty-two Advisory Ministers and ten Councillors, who were to speak but not vote, and Presidents of Ministries were eligible for membership. But as the President of the Cabinet possessed a power of veto over all other Ministers and of control of Viceroys, and as that President was no other than Prince Ching, it was not unnaturally concluded that the Cabinet scheme, while professing to conciliate, was really designed to restrict the provinces in the general system of centralization which will be discussed more fully anon. The outcry that was instantly raised throughout the country against the inclusion of Imperial Princes in the Cabinet and the eligibility of members of the Imperial Household and Imperial clans for the Privy Council, showed how little the popular reform party was disposed to accept the new institution in the guise of any practical reformation, and the exclusion of such personages from the Cabinet was made a prominent feature of the great act of penitence of October 30.

ARMY AND NAVY.

Thus far we have been dealing with the schemes outwardly framed to conciliate public demands. Their practical effect is another matter. Meanwhile the early months of the year were remarkable for activity in strengthening the Imperial army and navy. Toward the end of February General Yin Chang, Minister of War, who is generally credited with possession of the latest military ideas from Europe, submitted a comprehensive scheme of ten divisions, covering the enrollment of efficient soldiers, horse breeding for cavalry, map making, railway construction, redistribution of forces, especially along the frontier, and purchase of arms. On April 3 one of the most extraordinary of the many extraordinary Imperial Decrees of the present reign was issued, proclaiming that the Emperor, through the Prince Regent, constituted himself Generalissimo of all China's forces by land and sea. At the same time an impassioned appeal, singularly injudicious as it appeared even then, was made to the history of the Manchu dynasty and its beneficient works for China, and the people were exhorted to enroll themselves as soldiers for the defense of Throne and country. The glorification of the soldier, which is indeed one of the most remarkable revolutions of ancient principles that modern China has seen, was further exemplified on September 16 when the Imperial Bodyguard was reviewed by the Prince Regent in person outside the walls of Peking and received its colors from his Highness' own hands. Elaborate preparations for manœuvres by the Northern Army on a scale never attempted before were practically completed when the revolt at Wuchang broke out; and whatever may be said of the cause in which they fought, there can be no disputing the fact that the drill, equipment, discipline and steadiness of the Imperialist troops in the fighting in Hupeh reflected high credit on those who were responsible for their organization. It would seem that the navy was not nearly so well served by Prince Tsai Hsun, Minister of the Navy, as was the army under the more or less combined management of Prince Tsai Tao, Prince Yu Lang and General Yin Chang. It is clear that Prince Tsai Hsun was not afraid to take responsibility, from the freedom with which, in August, he ordered a couple of 32-knot destroyers in Germany without any previous consultation with his colleagues. But considering his inexperience and lack of technical knowledge, this is scarcely the kind of self-responsibility in a minister which any nation would approve. Apart from this, a gigantic programme to be spread over four years, and including battleships, cruisers, gunboats and torpedo destroyers, was published in February about the time of General Yin Chang's scheme alluded to above, but it would be a waste of time to enumerate its details, which bear a strong similitude to other naval programmes of earlier years. During the summer there were also persistent rumors of a gigantic naval construction loan which it was hoped to float abroad. But for practical purposes the best work of the year was concerned with the defining of the different squadrons, cruiser and gunboat, and an overhauling, with a view to new systematization, of the various naval schools and colleges. New vessels under construction were two cruisers in building in England, one in America, three destroyers—apart from those ordered by Prince Tsai Hsun on his own responsibility—and a number of sea going and river gunboats. Before leaving this subject it may be mentioned that the attempt to centralize military and naval authority in the hands of Peking provoked a loud and persistent protest from the Viceroys. The quarrel was still awaiting adjustment when the revolution broke out.

SHENG HSUAN-HUAI AND THE LOAN ERA.

With the above heading we are brought face to face with that sequence of events which, perhaps more than any other, contributed to the ultimate explosion of the rebellion. On January 6 Tang Shao-yi resigned the Presidency of the Yuchuanpu, and Sheng Hsuan-huai, more familiarly known as Sheng Kung-pao, reigned in his stead. The phrase "a business government" is familiar enough in the West. It was to be tried in China, with what sincerity of intent it would be impossible to say. Theoretically, the policy which Sheng exemplified was all that could be desired: it was a question of one master or many, and, granting that the intention was honest, there could be no question on which side lay practical wisdom. In effect, the people, or their articulate representatives, would have none of it. But startling things were done before the antagonism to this policy broke loose. As an example of the new tendency in Peking we may quote the summoning to the capital of Chang Ch'ien, President of the Kiangsu Provisional Assembly, and his audience with the Prince Regent. Chang Ch'ien is a highly successful business man, one who had risen from very small beginnings by hard-

headed ability. The proposals to which his visit to Peking gave rise, for a joint Chino-American Bank and a Chino-American shipping line, have come to naught and Chang holds office under the revolutionary government. But the recognition accorded, in him, to trade was not less remarkable than the recognition given to the soldier's career.

Not long after his succession to the Presidency of the Yuchuanpu, Sheng Hsuan-huai's influence was visible in the resumption of authority by that Ministry over all the provincial telegraph systems, and the inauguration of several telephone systems. Before the end of the first week in April two loans had been arranged by and for the Yuchuanpu, one for Y10,000,000 from the Yokohama Specie Bank, the other for £500,000 from the Eastern Extension and Great Northern Telegraph Companies, the latter being in the shape of an advance on the foreign traffic dues for the next eighteen years. The first loan was published on March 24, the second on April 7, and both were to be devoted to the working of the Ministry of Posts and Communications. As an example of financial skill, there can be little hesitation in saying that Sheng Hsuan-huai was immensely to be congratulated on his achievement in obtaining money with so little expense. But this view, of course, has nothing to do with the general righteousness or unrighteousness of the Minister's policy. On April 18 the startling announcement was made that China, through the agency of Sheng Hsuan-huai, had contracted a loan of £10,000,000 with the British, French, German and American group of capitalists that had been brought into prominence with the Central China Railways loan nearly two years before. Of this sum 30 per cent. was to be earmarked for the development of Manchuria, of which it was understood that £1,000,000 was to be paid down on the spot, while the balance was to be used for currency reform and would be paid when the international syndicate was satisfied of the currency scheme that China proposed to institute. Meetings with this end in view were held in London and subsequently in Berlin between representatives of the Chinese Government and of the foreign banks; but we believe that only one installment of the loan had actually been paid to Peking when the civil war began, and under the obligations of neutrality all further negotiations were suspended until the conclusion of hostilities. Yet another month, however, had hardly elapsed when the news came that the Four Nations Syndicate had succeeded in adjusting its differences, internal and with the Yuchuanpu—differences which had entailed more than two years of wearisome negotiation—and that a further loan of £6,000,000 had been agreed upon (on May 21) for the construction of the Hukuang Railway system. Thus in little more than four months Sheng Hsuan-huai had increased China's indebtedness, on paper at least, by seventeen and a half millions sterling.

Again, it becomes a question not so much of facts as intentions. Properly administered China's resources would be good for a considerably larger sum than this, even in addition to loans of all classes outstanding. The question, and it is doubtful whether this can ever properly be solved, was whether this money, particularly that which was to be devoted to railway construction, was to be used for the national good or merely to give Peking new hold upon provincial revenues. Concurrently with the arrangement of the Hukuang loan, the Throne had announced that henceforward all railways were to be absorbed into state control; and again it must be repeated that, fairly executed, experience had shown that this would be the most feasible means of providing China with an adequate railway system. As a further means of reassuring the public Tuan Fang, whose integrity and ability were well known, was recalled on May 18 from the oblivion into which he had been degraded a year and a half earlier, and was appointed Director General of the Hukuang Railways. But the provinces would see nothing in the state ownership of railways but a new device for state extortion and malversation of public moneys. Public wrath centred upon the unfortunate person of Sheng Hsuan-huai; and we may judge of its intensity by the fact that almost the first of the vain efforts made by the Throne to appease the fury of revolution was the cashiering of the Minister of Posts and Communications. Whatever reasons the nation may or may not have had for mistrusting him, he was rewarded by his Imperial master with bitter and shameful ingratitude.

THE RAILWAY AGITATION AND SZECHUAN.

Apart from the Hukuang loan, the year 1911 was marked by railway activities in many directions. On January 6 an arrangement was concluded with Messrs. Dunn, Fisher & Co. to take up the balance, about $3,000,000 worth, of the Peking-Hankow Railway Redemption Loan, on terms similar to those on which they had already taken up £450,000 of the same loan. The recent military opertions along this line have provided evidence of the good workmanship that had been put into its construction under foreign management and of its durability in spite of the general deterioration which had set in on its resumption by the Chinese. On January 20 the first portion of the southern section of the Tientsin-Pukou Railway was opened to public traffic, to a distance of ninety-four miles from the Yangtze, and with the steady continuance of work throughout the spring and summer the whole line is now complete throughout its length, as we were informed by the missionaries who had left Hsuchowfu on the arrival of General Chang Hsun, retreating from Nanking, although the exact details of the work are still wanting. About this time, that is in January, news was received of the efforts of the proprietors of the Sunning-Kungyik line in Kuangtung, which measures about twenty miles in length, to raise a loan from the Bank of Kuangtung, with a view to extending the line to Kongmun; but no further details of this scheme have since reached us. The Ichang-Szechuan Railway would appear to have made fitful progress under its provincial management. In April 100 miles had been marked out, and in February the initial work was inspected by Viceroy Chao Erh-sen on his way through from Szechuan to take up his new post in Manchuria *vice* Hsi Liang. In May rumors were current of the intention of the Yuchuanpu to raise money for the construction or the Kaifeng-Hsuchow line, in which the Honanese gentry were

originally to have been concerned; but again nothing definite is known. The Kiangsu-Chêkiang system has been embellished with a few railway stations, but through running is still impossible in the deficiency of linking up the two systems, to which inter-provincial mistrust has presented an apparently insurmountable obstacle. Meanwhile it is typical of the disfavor with which the Shanghai-Nanking Railway has ever been regarded by Peking that the one really efficient and economically managed line in Central China was singled out by Sheng Hsuan-huai in April for special reprobation on account of its alleged extravagance.

The Imperial Decree proclaiming the state ownership of railways was launched upon an indignant world on May 9. The effects of it were not slow to make themselves felt. From every railway and self-government bureau, from the Provincial Assemblies and from nearly every Chinese newspaper arose the protest. Objection had been raised by the Assemblies to the Currency Loan, but this was a small matter compared with that of the railways. In Canton the strong hand of Viceroy Chang Ming-chi succeeded in suppressing open revolt; but the Cantonese hit on the far cleverer plan of suggesting that the Government's policy should be referred to the Assemblies, with an undertaking, easily given in view of the inevitable result, that the nation would abide by the decision. In Changsha the railway bureau organized a demonstration, aimed at Sheng Hsuan-huai, but strongly anti-foreign in complexion, which very nearly led to riot, and but for the stern action of Viceroy Jui Cheng might easily have done so. But it was in Szechuan that the agitation finally burst into flame. To all outward appearance the Government's scheme of redemption was fair enough. In Hunan and Hupeh bonds were to be redeemed in full; in Kuangtung and Szechuan, where the greatest malversation of funds had occurred through the railway bureaux a certain percentage was to be redeemed, the balance being left for payment out of the eventual profits of the line. Meanwhile those responsible for defalcation would be made to disgorge. It may, without any injustice, be believed that the agitation arose less from the actual bondholders than from the members of the bureaux who saw themselves deprived at one blow of a lucrative source of gain. But in one way and another, it was made abundantly clear that China, or those who profess to speak for China, would not accept the Imperial decision.

Even yet the disturbed state of the country renders it difficult to write an accurate account of the Szechuan rising. It began at Chêngtu with a declaration of passive resistance, actuated by the Railway Bureau and involving the closing of all shops in the conventional style. This was on August 24. Earlier than this an account had reached us of the inflammatory posters with which, for several days before the outbreak, the city had been decorated. But at what point and in what manner the movement passed from passive resistance to open fighting is somewhat of a mystery. The friends of the Railway Bureau maintain that its action was pacific throughout, and that it was the secret societies and bad characters generally that started the bloodshed. This is quite likely. On the other hand, it is not impossible that Viceroy Chao Erh-fêng, whose reputation for strength is familiar, allowed himself to use more drastic means of repression than were judicious. At any rate in Chêngtu itself the Viceroy was quickly master of the situation, but the revolt spread to the country, and for some days Chengtu was practically besieged. On September 14 a consular order was issued to all British and American citizens in Szechuan to repair to places of safety. But less than a week afterward Viceroy Chao, in a very bombastic report, announced to the Throne that the victory was his. To restore peace Tsen Chên-hsuan, a former acting Viceroy of Szechuan and reputed popular with the Szechuanese, was appointed to take charge of military affairs in the province, while Tuan Fang was ordered to make haste to persuade the Szechuanese of the righteousness of the railway policy. Upon both officials the utmost clemency of method was enjoined this was the first sign of weakening on the part of the Manchu Government, and as the revolt in Szechuan passed mutteringly to more remote parts of the province, yet never wholly ceased, it may well be that future historians will see in the rising in Western China the real beginning of the great revolution.

THE YEAR OF REVOLUTION.

The time has not yet come to write the history of the revolution; indeed to attempt any detailed account would be quite beyond the space at command. Moreover, we are still too much under the cloud of actual warfare to be able to see the revolution in its true perspective; less than a week from the time when the prospects of peace seemed hopeful, the outlook has again become dark with perplexity and even as regards the past there are many vital questions that yet remain unanswered. To glance back over the month preceding the outburst at Wuchang, it was apparent long before the final catastrophe that the forces of revolt in China were becoming more and more explosive. We may pass over the constant tales from all parts of the country of highway robbery, of petty rebellion against taxation—of which, perhaps, the most violent was the riot among the sedan chair coolies of Foochow, on September 19 and 20, brought about by a new tax on their trade—and of rumors of Boxerism in Shanghai. These things have become conventional in late years and might have passed almost unremarked but for the culminating revolt of Hupeh. But from the beginning of the year the South, that unfailing barometer of seditious feeling, continued to present the most dangerous signs of impending storm. In the third week of April a scare arose over the importation of arms by the revolutionaries of Canton, and orders were sent to Viceroy Chang Ming-chi to redouble his vigilance. On the 21st of this month the Tartar General of Canton, Fu Chi, was shot dead in the streets by a man named Wan Shang-tsoi, who professed himself a student of Dr. Sun Yat-sen, and said that he had committed the murder to avenge the wrongs of the 400,000,000 Chinese by the Manchus. It would seem that the subsequent execution of Wan on the scene of the murder did not have the terrorizing effect that was designed for it, but rather the reverse. At any rate on April 28 a body of reformers and discontented soldiery attacked the Viceroy's yamên and his Excellency was forced to escape by a back way. The insurretion was quelled, though not before it had spread some distance into the

country, with the result that the prefect of Shu-hing and the magistrate at Samshui were both assasinated. But in spite of the strong hand of Chang Ming-chi Canton practically never again resumed absolute tranquillity under Manchu ascendancy. The activity of the revolutionaries was prodigious, many of them disguising themselves as colporteurs of the British and Foreign Bible Society in order to spread their propaganda, and their was a great exodus of wealthy Cantonese families to Hongkong and even to Shanghai. On August 13 an attempt was made to destroy Admiral Li with a bomb; three persons were killed and the Admiral was severely wounded. And on October 24 the new Tartar General Fung Shan, successor to Fu Chi, was blown to pieces as he landed in the city of his new command, a fatal fulfillment of the fears which had kept him so long from repairing to the South.

THE REVOLT IN HUPEH.

Yet with all this barely suppressed explosiveness in the South, it was from another quarter altogether that the signal of general insurrection was given, and Canton did not, as it were officially, join the movement until a full month had elapsed. Like many great events of history, the revolution seems to have been fired more or less accidently. On the afternoon of October 9, it is said, a dynamite explosion occurred in the Russian Concession at Hankow, which led to discovery of a considerable revolutionary plot. Prompt measures were taken to arrest the ringleaders, but to quote from Viceroy Jui Cheng's report to the Throne, "a number of them made their escape and incited the engineer troops and the artillery to mutiny." Instantly Wuchang was ablaze. The Viceroy fled through a hole in the wall, got on board a Chinese cruiser and eventually, on October 27, arrived in Shanghai. General Chang Piao, the military commandant, got over to the Hankow side with a handful of faithful troops, leaving Wuchang in the hands of the revolutionaries, who were commanded by General Li Yuan-hung, Chung Piao's second in command, a native of Hupeh originally in the navy, but after the Chino-Japanese War retained by the late Viceroy Chang Chih-tung to train the new army in Hupeh. Hanyang and Hankow native city were gained by the revolutionaries without resistance, and before the end of the month Li Yuan-hung had informed the foreign consuls of Hankow that he was president of the Republic of Hupeh. The ensign adopted by the revolutionaries was the four characters "Hsu Han Mieh Man," or loosely translated, restore the people of Han, exterminate the people of Man (chu). During the first few days of the revolt a considerable number of Manchus were massacred in Wuchang. But wiser, more humane councils quickly prevailed. The watchword of the revolutionaries has been throughout preserve equal justice for all men; the Manchu dynasty must go, but their lives shall be spared and ordinary Manchus shall rank with Chinese in equal freedom; preserve foreign life and property on condition, and in order, that there be no foreign intervention. To those principles the revolutionary party has fairly adhered throughout, and while the countryside has been a prey to lawless characters, and some foreign lives have been sacrificed, in Szechuan and Shensi, order has been preserved in the cities in a truly extraordinary manner. Curiously enough, the principle of respect for foreign life, which we first find in practice in the Canton rising of last April, was not even unknown among the robber bands of the country districts.

The extraordinary success attained in Hupeh struck terror in Peking, as may be judged from the fact that Yuan Shih-kai was recalled by Imperial Decree of October 14 and appointed Viceroy of the Hukuang provinces, while Admiral Sah was ordered to hasten with the fleet to Hankow, and the Peiyang army manœuvres were cancelled in order that all the available forces might be hastened to the recapture of the Triple Cities. By October 18 the opposing forces had come into touch and a series of skirmishes took place about Ten Kilometre station on the Peking-Hankow Railway, with the result that the Imperialist advance forces withdrew to Hsinyanchow, where General Yin Chang, who had been specially deputed for the work in hand, was strengthening his position. The advance began again about the 25th, and on the 29th General Yin Chang reported that Hankow native city had been recaptured. Then followed that terrible chapter of the war which is filled with the burning of Hankow, no less a folly than a crime as it would appear, because the work of destruction was in no sense necessary to the taking of Hanyang —which indeed was ultimately effected by an advance down the right bank of the Han—and the destruction of the homes and property of some 700,000 innocent people was only calculated to inflame public feeling against the Manchus. Appalling stories were spread of the numbers who perished in the flames, but these, there is good reason to believe, were exaggerated. For the next three weeks the operations in Hupeh resolved themselves into a desperate effort by the Imperialist troops, the command of which had been entrusted to General Feng Kuo-chang in place of Yin Chang, to recover Hanyang. That the struggle was conducted on both sides with great determination is shown by its length. Again and again the Imperialists gained a few steps forward only to be driven back. Their task was materially handicapped by the defection of the fleet and by the flight of Admiral Sah, whose position was one to command considerable sympathy. But superior drill and equipment told, and it is reasonable to believe that Hanyang would have been recaptured in any event, even if some disagreement between the Hupeh and Hunan troops, the rights and wrongs of which are not clear, had not left the position practically open to the Imperialists, who entered into possession on or about November 27.

THE SPREAD OF REVOLT.

Meanwhile the revolution, at first hanging back for a while as though to see which way the fortunes of war would incline, had spread with the most amazing rapidity. On October 22 Ichang fell to the revolutionaries, followed on the 24th by Changsha and Kiukiang. On the 25th Sianfu, the capital of Shensi, seceded; and this event, it is said, produced a greater impression on Peking than any other revolt, in that Sianfu had always been looked upon as a stronghold of Imperialism. On November 1 Nanchang declared for the revolutionaries; Hangchow followed suit on the 2d, Shanghai on the 3d, Soochow, Kashing, Ningpo, Shaohsing, Chinkiang, Changchow, Quinsan, Sunkiang with-

in the next three days. The revolution at Foochow occasioned some fighting between November 9 and 11, and Viceroy Sung Shou committed suicide, but this city went like all the others; and for the most part secession was effected without a blow being struck. Canton proclaimed a Republic of Kuangtung on November 9, Viceroy Chang Ming-chi taking refuge in Hongkong. Anking, capital of Anhui, changed sides on the same day. Then followed in quick succession Swatow, Cheefoo, Amoy, Yünnan and Kueichow. Mukden proclaimed a Committee of Public Safety on November 14, with Viceroy Chao Erh-fêng as president; but beyond the fact that there has been considerable lawlessness in all parts of Manchuria, which has occasioned varying rumors, not yet justified by events, of interposition by Russia and Japan, the precise condition of the sympathies of Manchuria remains something of a mystery. Shangtung proclaimed itself a republic on November 14, with Governor Sun Pao-chi as president, but has since professed penitence and received pardon, although it is open to doubt how far this repentance extended beyond the Governor-President himself.

The story of Nanking is one of the sensations of the whole revolution. Early in November it would appear that the Throne instructed Viceroy Chang Jen-chun that if the city wished to turn revolutionary it was to be allowed to do so. With evident relief the Viceroy published a proclamation to that effect, when to universal amazement the military commandant, Chang Hsun, refused to believe the news, shut up the Viceroy and the Tartar general in the yamên and after a slight skirmish took complete command of the city, which he held until December 1, when the immense concentration of revolutionary forces against him and the loss of Purple Mountain, which was practically the key to the city, compelled him to retire across the river to Pukou, whence he made his way up the railway to Hsuchowfu, where he still is. The character of this remarkable man would form an interesting study for the psychologist. That he is a man of no antecedents and small education appears to be undoubted. But equally so is his talent for soldiering, his courage and resolution. The opening of his stand in Nanking was marred by the massacre of numerous revolutionary sympathizers; but the first reports of this were shown to be exaggerated, and the evidence of impartial witnesses is that his subsequent administration of Nanking was severe but not tyrannical.

PEACE NEGOTIATIONS.

The history of the revolutionary movement in Shanghai, which began on November 3 with a mutiny among the Chapei police, and was completed on the following day by the capture of the Kiangnan Arsenal, after a trivial skirmish, need not be recounted here. To most of our readers it is familiar enough. Others we would refer to the admirable summary of events given in the Captain-Superintendent's report for November, published in the *Municipal Gazette* of December 21, 1911, of which there will doubtless be further instalments in due course. But one thing may be emphasized: The recapture of Hanyang by the Imperialists and the resistance of General Chang Hsun at Nanking and his ultimate expulsion from that city, had in two ways given the pre-eminence to Shanghai as the headquarters of revolt. It was, therefore a piece of sound policy on the part of Dr. Wu Ting-fang, Minister for Foreign Affairs of the Republican Provisional Government, to insist that any peace negotiations that were held should take place in Shanghai and not at Wuchang. That demand became the stronger after the fall of Nanking, and thus it was that the Imperial Envoy, Tang Shao-yi, originally dispatched to Hankow, did not remain for more than the one night in the city, and came on direct to Shanghai, where the conference was opened on December 18. It may here be mentioned that the *pourparlers*, with a view to arranging a peace began in the Russian consulate at Hankow at the close of November before the retaking of Hanyang. On December 20 the six great powers, France, Germany, Great Britain, Japan, Russia and the United States, expressed an urgent hope to both parties in Shanghai, through their consular representatives, that the conference might end in peace. On December 24 Dr. Sun Yat-sen, for fifteen years the *fons et origo* of all revolution in China, arrived in Shanghai, and has since (January 1, 1912) been installed as President of the Provisional Republican Military Government at Nanking. And on December 28 the Throne announced that it would leave the question of the future constitution of China to the decision of a national convention—a declaration not unnaturally taken as tantamount to abdication.

THE ABASEMENT OF PEKING.

It is necessary to go back a little in order to recount the steps by which the Imperial Government was brought to this depth of abasement. That nothing has been gained thereby is obvious: how much may actually have been lost it would be an interesting speculation to endeavor to analyze. The story has been one of pitiable terror and surrender which was indeed calculated to inspire nothing but contempt in the mind of Peking's opponents. On October 26 Sheng Hsuan Huai was ruthlessly cashiered in response to the demand of the Tszchenyuan; and here it may be remarked that while generals and viceroys on the Imperialist side have been sacrificed freely, scarcely a whisper of reproach has been raised against the men on the other side. Yuan Shih-kai was recalled to office on October 14. He did not actually reach Peking until November 13, and during the interval the honors heaped upon him had been raised higher and higher until, even if the Throne had not already virtually prostrated itself in the dust, his position would still have been that of practical dictator on the Imperialist side. On October 30 was published the famous decree of Manchu penitence in which the sins of the Government were laid upon the unfortunate shoulders of the baby emperor for public confession and abject repentance. Three days later a constitution was promised in answer to the demand of the troops at Lanchow. On November 3, the Throne undertook to swear allegiance by the tombs of its ancestors to the Nineteen Articles of the Constitution (based on the British model) as drawn up by the Tszechenyuan. That oath was taken on the 26th. On the 13th Dr. Wu Ting-fang had published an appeal to the Prince Regent to abdicate. Even this concession was not withheld, the decree to that effect, signed by the Empress Dowager, being published on December 6. Incidentally it would seem that this step was the least effectual of all—if there can be comparison in universal ineffectuality—in that the Empress Dowager, now brought to the fore, is the object of even more antagonism in the country than the ex-regent. It would be fruitless to detail the frantic efforts of Peking to raise a loan. At one time it was said that money would be forthcoming from a Franco-Belgian syndicate, but the negotiations came to nothing. Great pressure was put upon the Four Nations syndicate to loose its purse strings on the ground that there was no hope for order in China, cruelly reduced by brigandage and the suspension of all business, except in the dominance of Yuan Shih-kai. But this scheme was also brought to naught, largely through the reluctance of the British representatives to agree to it. Neutrality, and the practical wisdom of not accepting securities which threatened to be worth no more than the paper they were written on, blocked every avenue to financial relief. That the Imperial family has been persuaded to contribute largely is well known. How much more may be forthcoming from the same source, and with what result is the problem of the future. For while the dismissal of Tang Shao-yi points to repentance in Peking of its decision to defer to a national convention, and while the opposing party hears of no conclusion of the war, but in the total elimination of the Manchu power, the prospects of a speedy return to order in the country are dark indeed.

CHINA AND THE POWERS.

Apart from the loans already referred to, China's dealings with foreign powers throughout the year were com-

paratively simple. The most important are concerned with the Russian ultimatum in February on the subject of Mongolia in which Russia, under the treaty of 1881, laid claim to absolute control over tariffs for import and export, extra territorial rights and freedom of movement for Russian subjects, the appointment of three new consulates and the right for Russian subjects to buy land and to build in certain areas. It must be confessed that Russia has not succeeded in making out a very clear case for the drastic nature of her summons, and no little sympathy was felt for China, afflicted as she was with the plague then at its worst. There was, however, no course but to acquiesce in principle, and Lu Cheng-hsiang, Chinese Minister to The Hague, was deputed to go to St. Petersburg to join in undertaking the revision of the 1881 treaty. The situation, however, has been complicated by the action of the Mongol princes and lamas, who, alarmed by China's somewhat aggressive schemes of colonization in their country, sent a deputation to the Russian capital to demand protection; and since the outbreak of the revolution in China the possibilities of Russia's future behavior regarding Mongolia have become a matter of painful speculation. In the spring of last year the native press made a great display of Great Britain's allegedly nefarious designs on the Burma-China frontier at P'ienma, but the question never became an agitating one in the discussions of the Waiwupu and the British Legation. On May 8 a new opium agreement was signed between Great Britain and China whereby China was permitted to increase the import tax on opium to 350 tls. per chest, while all opium exported from India to China was to be specially certificated and arrangements were made for the further reduction of the period for importation of Indian opium. The recent opium conference at The Hague has given China further protection in the matter of opium sent from other countries and the trade in morphia and cocaine. In June news was received of the massacre of a large number of Chinese at Torreon in Mexico by the revolutionary forces of General Madero, which led to a most thoroughly justified demand by China for reparation. This has since been promised, and negotiations have been instituted for the determination of details. China was represented at the coronation of King George and Queen Mary by Prince Tsai Chen, and at the naval review at Spithead by the cruiser Haichi, while presents of truly Oriental splendor and magnificence were sent from Peking to their Majesties. The increasing needs of the Huangpu, gravely menaced by silting, have been the subject of much heart searching both in Peking and Shanghai, and negotiations relative to a new board of control and the provision of further funds were proceeding in leisurely fashion when the revolution broke out and all further hope of getting satisfaction from Peking was crushed. In these circumstances the powers have assented to the enforcement of the Shanghai Chamber of Commerce scheme of 1910, whereby the conservancy is put under the control of the Shanghai Taotai, the Coast Inspector and the Commissioner of Customs of Shanghai, and certain provision is made for the cost of the work out of the customs revenue. The negotiations will, if necessary, be resumed later when peace is restored, the immediate adoption of the scheme having been necessitated by the urgent state of the river. It is scarrcely necessary to add that the Macao boundary question continued to be a subject of languid and ineffectual interest atdifferent periods of the year. Not the least tempting of the promises of the new *régime* is that there will be an end of the old, irritating, diplomatic procrastinations, and that China will deal with her neighbors at least as expeditiously as they are accustomed to deal with one another. For this and all reasons the friends of China will hope sincerely that the new year may see a speedy inauguration of this new model, and that with the least possible cost in life and prosperity to the Sons of Han.

THE TARIFF SYSTEM OF CHINA.

(*From Consul General George E. Anderson, Hongkong.*)

In most respects the customs tariff system of the Chinese Empire is one of the simplest as well as one of the most moderate tariffs among nations. In a general way the import duties on foreign goods entering the country are specific rates, which are theoretically 5 per cent. of the average price of the commodities. The export tariff is, after due allowance for differences in free list articles and special conditions governing certain commodities, practically 5 per cent. duty upon the average export value of goods. In the way of imports at present the actual free list in China includes only rice, foreign cereals and flour, and gold and silver bullion and coin. Imports of powder, shot, cannon, fowling pieces, rifles, muskets, pistols and all other munitions and implements of war, and salt are prohibited. Imports of opium and certain other commodities are regulated by special rules and subject to special taxes. Exports of rice and grain, whether of native or of foreign origin, are prohibited, but at times the prohibition is suspended.

To understand the present Chinese tariff system, however, some review of the nation's tariff history is necessary. Previous to 1842 China had no open or recognized trade relations with foreign countries; theoretically there were no foreign imports and no exports. The taxation system of the country was based upon, first, a land tax, which still exists, and upon taxes on Chinese produce coming into and going out of the various districts of the country, collected at native custom houses established on various rivers and at various seaports, a tax which was confined to native goods for the reason that, in theory at least, no foreign goods were handled. There was also a system of internal revenue tax known as the "lo-ti-shui," or production and consumption tax, which also still exists. This tax has become comparatively small in recent years, but in connection with proposed changes in the likin tax, hereinafter mentioned, it is likely to become of decidedly more importance in the near future.

LIKIN OR TRANSIT TAXES.

During the Tai-ping rebellion China established another internal tax known as the "likin," applying to all goods in transit, and this tax is a very important and almost a vital matter in connection with the import and export trade of the country. Along all trade routes throughout the Empire of China tax stations are established and barriers are erected. The transportation of any goods whatever, whether of native or of foreign production, past a barrier involves the payment of a tax. Originally the rate of the likin tax was one-tenth of 1 per cent., the term "likin" signifying "contribution of a thousandth." It has gradually been raised and has lost all uniformity of amount, varying according to locality. Likin charges are generally farmed out and are collected with less regard for the law than for the limit of what the traffic will bear.

While the amount of taxes collected on goods at any one station is not great, the total amount at all stations, comes material. On goods produced in a district and sold in

the markets of a neighboring city the amount of tax paid is not great; when these same goods are produced at a distance from the market, however, the tax becomes very burdensome. The result is that the system is particularly severe on commodities like silk and tea, of which the great quantities needed for export must, under the Chinese method of production, be collected from innumerable small producers, whether they are far from or near to the market centre in which such supplies are collected. The distance such commodities must be transported before they can reach an open port at the coast for exportation increases the tax upon such goods, so that likin is a matter of much importance in the export trade.

In the import trade the process is reversed, but is of no less moment. Not only must imported goods received at open ports be transported considerable distances at a high cost of transportation before native distributing points can be reached, but this likin tax must be paid at an increasing number of stations as the goods proceed farther and farther inland, until at times the likin taxes reach a proportion of the original value of the goods which renders it impossible for the natives to purchase and use them. So far as interior points of China are concerned, the likin is practically an addition to import duties, as such duties affect the actual relation between manufacturer and consumer.

DUTIES ON GOODS OF FOREIGN TRADE.

The opening of certain ports of China to the trade of the world by the treaty of Nanking with Great Britain in 1842 opened to China new means of revenue from its incoming and outgoing trade. By this treaty China established a tariff the rates of which were in general 5 per cent. of the value of both incoming and outgoing goods, with foodstuffs and articles of household use duty free. This tariff was accepted by all nations trading with China at the time and was in force without important modifications until 1858. In that year Great Britain concluded another treaty with China, which, among other things, provided for a new tariff schedule, based, like that of 1842, upon the ad valorem rate of 5 per cent. This tariff was arranged soon after the signing of the treaty by commissioners appointed for the purpose. It provided for specific duties on all imported articles on a basis of 5 per cent. of the value of the goods at that time, admitting free of duty gold and silver bullion, foreign coins, flour, Indian meal, sago, biscuits, preserved meats and vegetables, cheese, butter, confectionery, foriegn clothing, jewelry, plated ware, perfumery, soap of all kinds, charcoal, firewood, foreign candles, foreign tobacco, foreign cigars, foreign wine, beer, spirits, household stores, ships' stores, personal baggage, carpeting, druggeting, stationery, cutlery, foreign medicines, glass and crystal ware. The export duty agreed upon was substantially 5 per cent. of the value at that time of all the principal commodities exported from China. To schedules were affixed certain rules.

These schedules, rules and regulations obtained in China until after the Boxer troubles. In the final protocol between China and the powers in 1901 it was provided as one of the guaranties for the payment of the Boxer indemnity that duty should be raised on imported articles at the rate of 5 per cent. of the value of all goods imported, excepting only rice, flour, foreign cereals and gold and silver bullion and foreign coins. To this list, newspapers, printed books, magazines and the like have since been added, apparently by common consent. In 1902 Great Britain came to another treaty agreement with China in line with the protocol with the powers after the Boxer troubles, one of the results of which was another tariff schedule of specific duties based on the old rate. The value of the goods on which the 5 per cent. was calculated was fixed by the average value of the goods during 1897, 1898 and 1899. The export duty remains the same as that fixed in the schedule of 1858. The schedule agreed upon with Great Britain, with slight modifications resulting from treaties with other nations, is the tariff now in effect for all nations.

THE LIKIN SITUATION.

During all these years the matter of the likin tax has been an ever present source of difficulty for the importer and dealer in foreign goods in China.

In the treaty with Great Britain of 1858 it was provided that the payment of a surtax of 2½ per cent. of the value of the goods should entitle goods to freedom from all transit taxes (likin) as far as possible. Transit passes to ports of export are granted at this same rate of 2½ per cent. ad valorem. This provision became only partially effective, and under it a system of transit passes has been built up which has allowed the transportation of imported goods to the interior upon payment of a surtax which is theoretically 2½ per cent. of the value of the goods. However, conditions in the different portions of the country have varied so that in certain localities and at various times it has been difficult to enforce this arrangement. In some of the provinces the arrangement worked very well. In the Province of Honan, for example, it has always been possible to effect this commutation of likin without foreign interference, as a result of an arrangement effected by natives soon after the time the tax was established. In other provinces local conditions made it difficult to give effect to the arrangement at all, and for many years the localities where the surtax actually freed goods from likin were comparatively few, and in many portions of the empire the provision simply meant that an extra 2½ per cent. tax was collected, while the goods remained subject to the likin tax as before.

One of the real difficulties of the situation has been that the likin taxes are collected for provincial and local purposes, as well as for the payment of interest and principal of foreign obligations. The insufficiency of 2½ per cent. for China's needs has been the subject of constant negotiation for a number of years. It was brought to a decisive point in the negotiantions leading up to the new commercial treaty with Great Britain in 1902. In this treaty Great Britain consented to the imposition of a surtax not to exceed one and one-half times the import duty on foreign goods; in other words, a surtax of 7½ per cent. ad valorem, on condition of the abolition of the likin. This proposed arrangement for the abolition of likin is

to go into effect as soon as it is accepted by all the powers trading with China, the old rate to continue until all powers agree to the new rate. Likin outward is to be on the same basis, the export duties to remain at the same rates as were fixed in the schedule annexed to the treaty of 1858. The proposed increase was accepted by the United States in its commericial treaty concluded with China in 1904. It has not yet been accepted by Russia, Germany or France. Until there have been acceptances from these three powers the new system cannot go into effect.

CURRENCY, WEIGHTS AND MEASURES.

Duties are payable in the haikwan or customs tael of China. A tael is a Chinese ounce, or 1⅓ ounces avoirdupois, of silver, of which the average value in 1910 was 66 cents gold, as compared with 63 cents in 1909, 65 cents in 1908, 79 cents in 1907, 80 cents in 1906, etc. The rates are fixed in taels, mace (one-tenth of a tael), candereens (one-tenth of a mace), and cash (one-tenth of a candereen). They are actually paid in most open ports in Mexican dollars and fractions thereof at current rates of exchange. In ports where the local tael is in common use it is paid in taels and fractions thereof at the current rate of exchange between the local tael and the official or customs tael, as indicated. Weights are on the basis of a picul, weighing 133⅓ pounds avoirdupois, a catty, which is one one-hundredth of a picul or 1⅓ pounds avoirdupois, and a liang, or Chinese ounce, one sixteenth of a catty, or 1½ ounces avoirdupois. A Chinese chang is equal to 10 Chinese feet, or 141 English inches. One Chinese chih is equal to one-tenth of a chang, or 14.1 English inches.

BASIS FOR AD VALOREM RATES.

Imports not enumerated in the schedule pay duty at 5 per cent. ad valorem, the value of the goods being the market value converted into haikwan taels, less 12 per cent. to allow for exchange differences. If the goods have been sold before entry, the gross amount of the bona fide contract is acepted as evidence of their value, and c. i. f. price is accepted as their value without any deduction. In case of dispute as to value, the matter is settled by a board of appeal composed of an official of the customs, a merchant appointed by the consul of the importer and a merchant of nationality other than that of the importer named by the senior consul of the port. If the value fixed by the board is more than 20 per cent. in advance of that claimed by the importer, the customs authorities may levy an additional duty or fine equal to four times the correct amount of duty.

The import duty on opium is a special rate. Until the signing of the recent opium treaty between Great Britain and China it was 30 taels per picul duty and 80 tales per picul likin, payable at the same time, or a consolidated tax of 110 taels per picul. Under the new treaty the consolidated tax is 350 taels per picul, or about $1.70 gold per pound—a high rate, which, however, bears about the same relation to the present value of the product as the former rate bore to the value at the time it went into effect.

VISCOUNT UCHIDA ON FOREIGN AFFAIRS.

At the first sitting of the Japanese Diet Viscount Uchida, Foreign Minister, addressed the House as follows:

"I feel it my valued privilege to be afforded an opportunity to address this House upon the outlines of Japan's foreign policy, and of the general situation in her international relations.

"It is a fundamental principle invariably governing the foreign policy of this country, to maintain general repose and tranquillity, especially in the regions of the Far East, and to safeguard the rights and interests which Japan justly enjoys. Constantly guided by that principle, the Imperial Government have directed their careful and unceasing attention to the necessary measures responding to the actual requirements of the situation and to the condition of the development of our national resources.

"It will no doubt be highly gratifying to you, as it is to myself, to find a steady advancement of friendship between this country and foreign Powers. Above all, our relations with Great Britain have been constantly growing in cordiality, while the revision of the Anglo-Japanese Agreement, which was effected last year, has, I am sure, given additional strength and solidity to the alliance.

Equally reassuring are the friendly relations between Japan and Russia. The two governments have loyally observed in spirit as well as in letter their arrangements of 1907 and 1910, and all the reclamations which had for a long time past remained under discussion between them were finally and simultaneously adjusted, leaving no longer any question of serious moment outstanding between the two countries.

"Our relations with France are also marked by growing sentiments of mutual confidence and appreciation, both Governments firmly abiding by their arrangements of 1907. The commercial relations between the two countries are for the time being regulated by the engagement of a modus vivendi, but it is confidently expected that they will find a sure guarantee and a fresh impulse in the new Commercial Convention, which was signed last year, and of which the exchange of ratifications is shortly to be effected.

"No less satisfactory development is noted in our intercourse with Germany. The revised Treaty of Commerce and Navigation, which was concluded and came into operation last year, passed the Reichstag in December last, and both governments having thereupon waived their right of denunciation, the commercial relations between the two countries were placed upon a solid and enduring foundation.

"With America, Japan is united, not only by cordial sentiments of traditional standing, but also by material interests of far-reaching importance in commerce and trade. Their friendship is too deeply rooted to be shaken by the anti-Japanese movements found in a certain section of the United States. Besides, recent indications point to the gradual removal of the misapprehensions apparently entertained by those agitators against Japan, and the frequent exchange of visits, between the two countries, of men of distinction and influence has been largely instrumental, for both nations, in appreciating the national dispositions and sentiments of each other and in promoting their mutual good understanding and accord.

"The Imperial Government has viewed with serious concern the disturbance in China. In view of the important interests, both political and economic, which Japan possesses in China, the Imperial Government are sincerely anxious to see a prompt re-establishment of order and security, and upon an exchange of views with the Powers interested in that country, they have directed their friendly efforts to bring the conflict to a pacific adjustment before it assumed a graver aspect. They have offered, in co-operation with the British Government, their good offices in facilitating the negotiations between the Chinese Government and the revolutionists, and have, moreover, in common with England, Russia, America, France and Germany, urged upon

the representatives of both contending parties the necessity of an early restoration of peace. They profoundly regret that in spite of those endeavors, the situation in China has so far shown no sign of improvement. While they will continue to watch with close attention the development of affairs and spare no effort in the interest of peace and stability in the Far East, they ardently hope that the Government and people of China, in appreciation of the general situation, will exert themselves to put an end to the hostilities and to secure the re-establishment of order and tranquillity.

"Finally, with regard to the question of revision, the conclusion of a new Treaty of Commerce and Navigation between Japan and the United States was already announced, I understand, at the last session of this House. The old treaties with the other foreign Powers, having been duly denounced by the Imperial Government, ceased to be operative in the course of July and August last. New treaties have already been concluded and put into force with Great Britain, Germany, Sweden, Norway and Switzerland, while equally with France and Spain new ones have been signed, and are now awaiting the exchange of ratifications. Negotiations are still proceeding with Austria-Hungary, Italy, Belgium, Holland, Denmark and Portugal for the conclusion of the revised compacts, but in the meantime provisional arrangements have been made with each of those Powers, with the exception of Portugal, pending the conclusion of new treaties. The Imperial Government, desiring to complete the work of treaty revision as early as possible, and to realize the national aspirations entertained ever since the time of the restoration, are exerting their best endeavors to accelerate those negotiations."

JAPANESE INVESTMENTS IN CHINESE ENTERPRISES.

(London Times correspondence from Tokyo.)

An interesting development of the Chinese crisis is that Japanese capitalists have been induced to turn their eyes toward their neighboring country as a field for profitable investments.

When Japanese capitalists are spoken of by Englishmen it is necessary that limitations should be applied, for the possessor of property valued at £30,000 ($145,995) is counted rich in Japan, and there is only one man whose estate of £8,000,000 ($38,932,000) entitles him to be reckoned wealthy anywhere. Moreover, capital is needed for so many purposes of domestic enterprise that there has hitherto been little margin for using it abroad.

Some three years ago there was organized in Tokyo the To-A Kogyo Kaisha (East Asia Industrial Company), which had for its main object the financing of industrial enterprises in China. The promoter and principal shareholder was Baron R. Kondo, president of the Japan Mail Steamship Company (Nippon Yusen Kaisha). This company has hitherto engaged in no transaction except a loan of £130,000 ($632,645) to the Hankow Hydroelectric Company, nor did there seem to be much likelihood of larger operations. But the enterprise proved vicariously useful, for its directors, having kept close touch with affairs in the Yangtze Valley, are now discussing the advisability of lending £1,000,000 ($4,866,500) on the security of the China Merchants' Steam Navigation Company's fleet. The money would be taken from the coffers of the Nippon Yusen Kaisha, and the transaction might result in close association between the Chinese firm and a mixed company—the Japan Steamship Company—which is the offspring of three Japanese associations and one Chinese, and which operates on the Yangtze.

K. Okura is also interesting himself in the financial transactions with the Chinese. He has indorsed a loan of £300,000 ($1,459,950) made by several Tokyo bankers for the purposes of the Hu-Hang (Shanghai-Hangchow) Railway, and he is understood to be taking similar action for a somewhat larger arrangement with the Kianghsi section of the Kyukiang-Canton Railway.

There is further mooted a still larger transaction in connection with the Chinese company which owns and works the Taiya iron mine, the Pinghsiang coal mine and the Hanyang foundry. Japan is vitally interested in the Talya mine, since she obtains from the greater part of her iron, and already she has assisted the company to the extent of £800,000 ($3,893,200). The idea now is to increase that amount to £2,000,000 ($9,733,000) and to place the enterprise in the hands of a joint Chinese and Japanese company.

All these operations, even when bulked together, do not make a very formidable figure, but they seem to prove that Japan is anxious to assist in China's material development.

The *Osaka Mainichi* has the following with reference to the increasing attention paid in Japan to the financing and controlling of the Chinese cotton industry:

"The Hua Hsuan spinning mill at Shanghai and the Wuchang spinning and weaving mills have been placed under the control of the Mitsui Bussan Company, which will in future manage them. This line of business has been extensively carried out in India, and the Mitsui Bussan is following that example. There is no doubt that the gradual tendency in the spinning industry in China is toward joint Chino-Japanese undertakings. The Mitsu Bishi Company is purchasing the Chen-Hua spinning mill at Shanghai, a concern operating 21,776 spindles, to which another 40,000 will be added by the new owners.

"The following Chinese mills have been acquired by Japanese interests, either completely or as managers: The Shanghai spinning mill (Mitsui), the Santai spinning mill (Mitsui), Jih Hsin spinning mill (Japan Cotton Spinning Mill Company), Nai Wai spinning mill (Nai Gai Cotton Spinning Mill Company), Wuchang spinning and weaving mills (Mitsui), Chen-Hua spinning mills (Mitsui), totaling 150,000 spindles."

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But for some rather pessimistic views of the situation from Shanghai, the outside world might be justified in believing that the reorganization of China under a Republican form of government is proceeding smoothly and efficiently. The provisional constitution is a document to which no just exception can be taken, and if a national convention can be elected composed of men possessing sufficient patriotism and practical sense to gauge the needs of China there seems no reason why the second step of transition between the old and the new may not be taken without jar or disturbance. In this connection the address of the Provisional President to the Advisory Council, which is practically a provisional Senate, must be held to be in excellent taste and temper. It is true that the cabled summary leaves something to desire on the score of details of the financial policy of the new government, and is decidedly vague in regard to the process of abolishing the likin or transit taxes. It may fairly be assumed that under the increased import duties provided for in the Mackay group of treaties there would be an increase in customs revenue of at least 16,000,000 taels. But it has always been supposed that the gain in revenue would be more than absorbed by the amount needed to reimburse the provinces for the surrender of likin and destination taxes. It sounds very well to recommend plans for the lightening of the burdens of the people, for a new scale of taxation and a unified system of currency, but the heart of the problem is after all to be found in co-ordinating the fiscal requirements of the provinces with those of the central government. Details are lacking to enable us to judge how far the adhesion of the provinces to the new order of things will be able to withstand any pressure exerted to compel them to part with some of their time honored privileges for the strengthening of the central government. On this point the advices from Shanghai are certainly discouraging, but, if the outside world had framed its judgment of the issue of the revolution on the preponderating opinion of Shanghai, it would have steadily refused to believe in the possibility of a republic at all.

On the question of the recognition of the new Republic, there appears to be more anxiety among the Chinese and their friends here than is felt at Peking. So far, the provisional government has made no formal request for the recognition of the Republic, and is apparently quite content with occupying the status of a de facto government in its diplomatic intercourse with the treaty Powers. That there is every disposition on the part of the Government of

the United States to accord prompt recognition to the new Republic of China, does not admit of doubt. But the President and the Secretary of State may conceivably attach more importance to the maintenance of a concert of action among the Powers in all matters relating to China than to the sentimental satisfaction of being the first to welcome the Chinese Republic into the fellowship of nations. Mr. Knox's insistence on joint action and a common understanding in the matter of loans to China has apparently prevailed over the efforts of Russia and Japan to make other loans outside of the four-power group of bankers. The assumption is made in Washington that the abandonment of the Belgian loan which was, in effect made under the auspices of Russia, does away with the imminent possibility of Russia strengthening her hold on outer Mongolia and obtaining further territorial advantages in China. If this be so, the policy of maintaining at all costs the concert of the Powers in China, has been sufficiently vindicated, even if it should result in somewhat delaying the formal recognition of the government of the Republic.

IT will be observed that the published draft of the provisional constitution while vesting the sovereignty of the Republic of China in the whole body of the people, is silent in regard to what shall constitute the qualifications of a voter for the delegates to the National Convention. That body is to be convened by the provisional president, and its organization and the measures for its election are to be decided by the National Assembly. The latter is also invested with the power to add to or revise the provisional constitution, and, altogether the ultimate constitution of the Republic of China will practically be framed by a body originating with a strictly limited constituency. For the welfare of China, this is probably as near an approach to a system of popular government as is at present desirable. As Dr. Hawks Pott defines the situation: "There is on the one hand the educated class which has already imbibed the new ideas and is heartily in favor of progress, and there is on the other hand the bulk of the people, still in dense ignorance and utterly incapable of assuming the rights and privileges of a free government. At present the masses are willing to a certain extent to be led by the intelligent portion of the community, but their lack of education constitutes a grave menace to the Republic." All of which is another way of saying that the primary need of China is popular education, and that the problem of the continued existence of the Republic must turn on the success with which the domination of popular ignorance is broken throughout the land.

IT is difficult to say whether the new immigration act which has already passed the Senate of the United States and is now before the House of Representatives proposes a more liberal system than has prevailed under the exclusion acts of dealing with the Chinese. One of the declared purposes of the bill is to organize a uniform system of dealing with immigrants, and, hence, to remove the necessity of maintaining a separate class of officers to pass upon Chinamen entitled to enter this country. Whether by implication the new act will, in becoming a law, wipe out the whole system of special inspection of Chinese immigrants seems to be open to question. But it certainly does explicitly repeal "all laws relating to the exclusion of Chinese persons or persons of Chinese descent, except such provisions thereof as may relate to the naturalization of aliens, and except as provided in Section 3 of this act." It is in this section that the classes of aliens are enumerated who are to be excluded from admission into the United States, and among these are: "Chinese persons or persons of Chinese descent whether subjects of China or subjects or citizens of any other country foreign to the United States," save only persons of the following status or occupations: "Government officers, ministers or religious teachers, missionaries, lawyers, physicians, chemists, engineers, teachers, students, authors, editors, journalists, merchants, bankers and travelers for curiosity or pleasure," as also their legal wives or their children under sixteen years of age who shall accompany them or who subsequently may apply for admission to the United States. It will be observed that under this section the exempt class of Chinese has been greatly enlarged, that is, in respect of its definition. Properly construed, the provisions of the surviving treaty of immigration with China would demand a still more liberal enumeration of the exempt class, but it is at least something to have the concession made that as at present applied by the Commissioner of Immigration and his subordinates that enumeration is entirely inadequate.

THE improvement in our export trade with Asia during the current fiscal year, of which note was taken in the last number of THE JOURNAL, continues without apparent interruption. For the nine months ending with March the aggregate of Asiatic exports was $87,915,874, against $62,499,838 for the corresponding period of 1911 and $45,210,075 for 1910. While it is true that no department of the export commerce of the United States has been so much depressed as that of Asia, it is also true that with no other part of the world has there been so great a percentage of gain. To China proper the exports for the nine months were $18,173,309, against $12,411,219 for the same period of last fiscal year. In addition to this the exports to the leased territory have reached some $460,000, while those to Hongkong have attained the respectable aggregate of $8,025,000. The improvement in the export trade with Japan has also continued, and shows a total of $40,357,413 for the nine months, against $28,808,083 and $16,045,605 for the two similar periods immediately preceding. This is perhaps the more remarkable, as the sum of our imports from Japan for the nine months shows only a trifling advance over those of the corresponding period of 1911, while our imports from China have decidedly decreased. The exports to British India are $13,938,397 for the nine months —a total never reached in any previous year of our trade with that part of the world. Here also our imports show much less elasticity than our exports.

THE organization of the Chamber of Commerce of the United States of America has been participated in by a representative of this association, and the question of co-operation with it, involving the acceptance of a share of its burdens, has yet to be submitted to the executive committee. As most of our members are connected with other commercial organizations, the adhesion of the American Asiatic Association to the new National Chamber is not precisely a vital matter, although there is a group of subjects in regard to which the advice of a body like this would be of positive value to an association whose avowed purpose it is to promote co-operation between chambers of commerce, boards of trade and other commercial and manufacturers' organizations of the United States, increasing their efficiency and extending their usefulness.

Exports of Domestic Cotton Cloths, Mineral Oils, and Wheat Flour from the United States to China and Hongkong, during the nine months, ending March 30, 1911 and 1912.

EXPORTS TO CHINA.

Months.	Cotton Cloths.		Mineral Oils (illuminating).		Wheat Flour.	
1910.	Yards.		Gallons.		Barrels.	
July	10,897,533	$727,329	5,392,690	$323,424	638	$2,576
August	9,582,788	563,587	14,052,380	888,045	2,643	11,823
September	4,226,655	263,334	7,130,000	314,745	1,333	5,144
October	951,800	56,682	8,044,160	493,021	452	1,894
November	1,018,400	90,740	5,048,550	298,529	3,691	14,533
December	3,294,806	227,245	7,996,752	583,235	5,308	20,650
1911						
January	5,667,644	390,359	3,915,380	180,847	58,188	210,766
February	3,854,800	222,309	4,423,824	210,643	124,428	456,053
March	7,857,697	486,439	13,340,540	747,484	34,372	131,015
Total	47,352,378	$3,028,024	69,344,276	$4,089,973	231,055	$854,454
July	11,063,600	$788,798	15,882,570	$1,148,524	1,631	$6,490
August	8,680,440	625,749	7,827,602	537,398	21,926	79,752
September	7,671,189	581,168	7,857,040	572,253	61,783	237,040
October	6,901,562	484,934	5,660,580	406,178	55,750	216,175
November	12,544,616	877,394	.....	.....	67,470	266,515
December	12,534,270	844,814	4,040,070	282,039	55,850	217,338
1912.						
January	4,495,875	307,086	5,131,900	373,671	69,413	267,876
February	12,794,458	851,566	.....	.....	179,820	697,139
March	8,654,853	525,061	1,928,030	146,341	152,666	614,302
Total	85,340,872	$5,886,570	48,327,792	$3,466,404	666,309	$2,602,627

EXPORTS TO HONGKONG.

1910						
July	51,982	$8,126	1,757	$189	58,169	$242,81
August	19,350	2,558	1,748,039	130,973	54,231	217,046
September	6,550	707	.....	.....	20,289	84,794
October	18,047	4,639	.....	.....	92,673	371,287
November	5,391	819	1,585,000	114,460	61,840	236,943
December	18,821	2,616	191,230	13,099	203,005	798,776
1911						
January	42,917	7,104	1,742,440	142,425	108,727	$452,872
February	32,540	2,563	1,714,910	124,331	117,230	453,344
March	29,750	2,033	617,856	60,649	62,649	242,714
Total	225,348	$31,165	7,601,206	$586,333	821,876	$3,232,679
July	73,151	$10,412	.....	.....	72,283	$281,302
August	55,621	10,166	1,539,170	$115,438	73,571	287,511
September	49,832	7,889	2,040,000	151,980	85,937	333,803
October	44,343	7,410	830,000	81,956	251,607	993,047
November	35,212	3,509	2,455,000	184,827	143,919	550,437
December	187,236	20,889	2,677,000	195,421	234,502	915,396
1912						
January	57,814	7,253	.....	.....	94,456	380,186
February	110,352	15,039	1,263,540	92,833	106,985	410,863
March	5,131	1,127	1,636,000	67,076	148,716	561,253
Total	618,692	$83,694	12,440,710	$889,531	1,211,976	$4,718,797

DEPARTMENT OF COMMERCE AND LABOR,
Bureau of Statistics.

WASHINGTON, D. C., April 27, 1912.

Imports of Tea and Silk into the United States for the eight months, ending February 28-29, 1910, 1911 and 1912.

TEA.	1909.		1910.		1911.	
Imported from	Pounds.	Dollars.	Pounds.	Dollars.	Pounds.	Dollars.
United Kingdom	5,731,325	1,368,407	8,266,497	2,114,496	10,703,303	2,812,230
Canada	1,779,617	397,355	2,201,619	542,174	1,872,537	531,623
Chinese Empire	27,189,856	3,156,836	23,953,797	2,814,045	16,230,024	2,101,821
East Indies	6,463,714	1,017,295	6,934,736	1,138,163	10,758,731	1,806,915
Japan	35,463,870	5,776,251	47,309,859	8,115,155	51,048,416	8,580,074
Other countries	529,495	125,488	941,019	156,421	645,297	115,895
Total	77,157,877	11,841,632	89,607,527	14,880,454	91,258,308	15,948,558

RAW, OR AS REELED FROM THE COCOON. SILK.						
Imported from	Pounds.	Dollars.	Pounds.	Dollars.	Pounds.	Dollars.
France	528,934	1,421,951	242,423	872,293	67,227	256,762
Italy	2,710,091	10,333,241	2,178,976	8,269,964	1,289,012	4,664,351
Chinese Empire	3,109,494	7,355,281	4,269,924	10,809,731	3,548,264	8,235,982
Japan	9,249,949	31,355,159	10,812,344	36,681,115	10,772,549	35,131,598
Other countries	169,123	629,229	135,120	506,519	158,068	552,699
Waste.....lbs...free..	2,376,468	1,335,677	3,149,738	1,729,015	4,058,758	1,835,214
Total unmanufactured	13,144,059	52,430,538	20,788,525	58,868,637	19,893,878	50,727,615

THE PROVISIONAL CONSTITUTION OF THE REPUBLIC OF CHINA.

The following is the text of the Provisional Constitution of the Republic of China, as translated by *The Shanghai Mercury.*

CHAPTER I. GENERAL.

Article 1.—The Republic of China is established by the people of China.

Article 2.—The sovereignty of the Republic of China is vested in the whole body of the people.

Article 3.—The territory of the Republic of China consists of the twenty-two provinces, Inner and Outer Mongolia, Tibet and Kokonor.

Article 4.—The Republic of China will exercise its governing rights through the National Assembly, Provisional President, Ministers of State and Courts of Justice.

CHAPTER II.. PEOPLE.

Article 5.—The people of the Republic of China will be treated equally without any distinction of race, class or religion.

Article 6.—The People will enjoy the following liberties:—

1.—No citizen can be arrested, detained, tried or punished unless in accordance with the law.

2.—The residence of any person can only be entered or searched in accordance with the law.

3.—People have the liberty of owning property and of trade.

4.—People have the liberty of discussion, authorship, publication, meeting and forming societies.

5.—People have the liberty of secrecy of letters.

6.—People have liberty of movement.

7.—People have liberty of religion.

Article 7.—People have the right of petition to the Assembly.

Article 8.—People have the right of petition to the administrative offices.

Article 9.—People have the right of trial at legal courts.

Article 10.—People have the right to appeal to the Court of Administrative Litigation against any act of officials who have illegally infringed their rights.

Article 11.—People have the right of being examined to become officials.

Article 12.—People have the right of election and being elected to representative assemblies.

Article 13.—People have the duty of paying taxes in accordance with law.

Article 14.—People have the duty of serving in the army in accordance with law.

Article 15.—The rights of the people enumerated in this chapter may, in the public interest, or for the maintenance of order and peace or upon other urgent necessity, be curtailed by due process of law.

CHAPTER III. NATIONAL ASSEMBLY (TSANGYIYUAN.)

Article 16.—The legislative functions of the Republic of China are exercised by the National Assembly of Tsangyiyuan.

Article 17.—The National Assembly is formed of the members of Tsangyiyuan elected by various districts as provided in Article 18.

Article 18.—Five members in each province, Inner Mongolia, Outer Mongolia, and Tibet and one member from Kokonor will be elected. The measures for the election will be decided by each district. At the time of the meeting of the National Assembly each member has one vote.

Article 19.—The official rights of the National Assembly are as under:—

1.—To decide all laws.

2.—To decide Budgets and settle accounts of the Provisional Government.

3.—To decide the measures of taxation, monetary system and uniform weights and measures.

4.—To decide the amount of public loan and agreements involving any obligation on the state treasury.

5.—To ratify affairs mentioned in Articles 34, 35 and 40.

6.—To reply to any affairs referred for decision by the Provisional Government.

7.—To accept petitions of the people.

8.—To express views and present them to the Government regarding laws and other matters.

9.—To question Ministers of State and demand their presence at the Assembly to give reply.

10.—To demand Provisional Government to inquire into cases of the taking of bribes or other illegal acts of officials of the Government.

11.—The National Assembly may impeach the Provisional President if recognized as having acted as a traitor, by vote of three-fourths of the members present at a quorum of four-fifth of the whole number of members.

12.—The National Assembly may impeach any of the Ministers of State if recognized as having failed to carry out their official duties or having acted illegally, on the decision of two-thirds of the members present at a quorum of three-fourths of the whole number of members.

Article 20.—The National Assembly may hold its meetings of its own motion and may decide the date of the opening and the closing of the same.

Article 21.—The meetings of the National Assembly will be open to the public in case of the demand of any Minister of State or in case of the majority's decision a meeting may be held in camera.

Article 22.—The matter decided by the National Assembly shall be promulgated and carried out by the Provisional President.

Article 23.—When the Provisional President uses his veto against the decision of the National Assembly his reasons should be declared within ten days and the matter should be placed before the National Assembly for further discussion. If two-thirds of the members attending reaffirm the former decision that decision shall be carried out as stipulated in Article 22.

Article 24.—The speaker of the National Assembly will be elected by open ballot of the members and if the ballot be one-half of the total votes he is declared elected.

Article 25.—The members of the National Assembly have no responsibility to outsiders for the speeches and decisions made in the Assembly.

Article 26.—Except for flagrant offences or during internal disturbance or foreign invasion the members of the Assembly cannot be arrested during the session without the consent of the Assembly.

Article 27.—The standing orders of the National Assembly shall be decided by the National Assembly itself.

Article 28.—The National Assembly shall be dissolved when the National Convention (Kaohui) comes into existence, which will succeed to all the rights of the National Assembly.

CHAPTER IV. PROVISIONAL PRESIDENT AND VICE-PRESIDENT.

Article 29.—Provisional President and Vice-President will be elected by the National Assembly by vote of two-thirds of the members present at a quorum of three-fourths of the whole number.

Article 30.—Provisional President represents Provisional Government and controls political affairs and promulgates laws.

Article 31.—Provisional President executes laws and issues orders authorized by law and has such orders promulgated.

Article 32.—Provisional President controls and commands the Navy and Army of the whole country.

Article 33.—Provisional President decides official organizations and discipline but such should be approved by the National Assembly.

Article 34.—Provisional President is empowered to make appointments and dismissals of civil and military officials. However, the Minister of State, ambassadors and ministers accredited to foreign Powers, should be approved by the National Assembly.

Article 35.—Provisional President declares war, negotiates peace and concludes treaties with the approval of the National Assembly.

Article 36.—Provisional President declares martial law in accordance with laws.

Article 37.—Provisional President represents the whole country to receive ambassadors and ministers of foreign countries.

Article 38.—Provisional President presents bills for laws to the National Assembly.

Article 39.—Provisional President confers decorations and other honorary bestowals.

Article 40.—President declares general amnesty, special amnesty, commutation and rehabilitation; general amnesty needs the approval of the National Assembly.

Article 41.—In case Provisional President be impeached by the National Assembly the judges of the highest court of justice will elect nine judges to organize a special tribunal to try and decide the case.

Article 42.—Provisional Vice-President will act for Provisional President in case Provisional President dies or is unable to attend his duties.

CHAPTER V. MINISTERS OF STATE.

Article 43.—Prime Minister and Ministers of departments are called Ministers of State.

Article 44.—Ministers of State assist Provisional President and share responsibility.

Article 45.—Ministers of State countersign bills proposed, laws proposed, laws promulgated and orders issued by Provisional President.

Article 46.—Ministers of State and their deputies attend and speak in the National Assembly.

Article 47.—When any Minister of State is impeached by the National Assembly the Provisional President should dismiss him but the case may be retried by the National Assembly at the request of the Provisional President.

CHAPTER VI. COURTS OF JUSTICE.

Article 48.—Courts of Justice consist of judges to be appointed by Provisional President and Minister of Justice. The organization of Courts of Justice and qualification of judges will be decided by law.

Article 49.—The Courts of Justice will try and decide cases of civil litigation and criminal litigation in accordance with law. However, administrative litigation and other special litigation will be stipulated by special laws.

Article 50.—The trial and judgment of the Courts of Justice will be open to the public but cases which are considered to be against peace and order may be held in camera.

Article 51.—Judges will never be interfered with by any higher officials in their offices either during a trial or in delivering judgment, as judges are independent.

Article 52.—Whilst a Judge holds office his salary cannot be reduced and his functions cannot be delegated to another. Unless in accordance with law, he cannot be punished or dismissed or retired. The regulations for the removal of judges will be stipulated by special law.

CHAPTER VII. ANNEX.

Article 53.—Within ten months of the date of this law being in force Provisional President should convene a National Convention. The organization and the measures for election of such National Convention will be decided by the National Assembly.

Article 54.—The Constitution of the Republic of China will be decided by the said National Convention and before the said Constitution comes into force this law will have the same force as the Constitution.

Article 55.—This law will be either added to or revised by three-fourths of the members of the National Assembly present at a quorum of two-thirds of the whole number or by three-fourths of the members present at a quorum of four-fifths of the whole number, when the same is proposed by the Provisional President.

Article 56.—This law shall come into force when it is promulgated and the rules of provisional government now in force will be cancelled when this law comes into force.

YUAN SHIH-K'AI'S OATH.

The following are the terms of the oath which Yuan Shih-k'ai took on his inauguration as President of the Republic of China:—

"Since the Republic has been established, many works now have to be performed. I shall endeavor faithfully to develop the Republic, to sweep away the disadvantages attached to absolute monarchy, to observe the laws of the constitution, to increase the welfare of the country, to cement together a strong nation which shall embrace all five races. When the National Assembly elects a permanent President, I shall retire. This I swear before the Chinese Republic."

YUAN SHIH-K'AI TELLS STORY OF ABDICATION.

(From the China Press.)

PEKING, February 20.—Following is a translation of the telegram which Yuan Shih-k'ai recently sent to the viceroys and governors. It tells his own story of what has happened during recent weeks:

"On account of sickness I retired for three years and had no desire to interfere in events.

"A mandate from the Court urged me to emerge from my retirement. I refused repeatedly, but it was of no avail. From the time when I again led the troops and later when I came to Court I was animated with the purpose of establishing a constitutional monarchy, but the state of the country changed; in Peking and the provinces numerous influences exerted their pressure. The east and south became disintegrated; the west and the north followed suit, province by province. The National Assembly and the Provincial Assemblies all fathered the policy of not using military force to put down the disturbances. The treasury was destitute of funds; difficulties interposed in the way of raising loans. It was impossible to purchase munitions of war or to increase the military establishment.

"Therefore, when Hankow was regained the naval forces were lost; the moment Hanyang was reconquered Nanking fell. The power of the Government over the waterways and the sea was gone and the sources of revenue were cut off. Although in various ways I encouraged the military to greater effort, secured the revocation of Shantung's declaration of independence, subdued the capital of Shansi and Loyang, recaptured the region around Ta-t'ung-fu and did all in my power to prop up the North, so that it might enjoy a certain degere of peace, yet the tide was too strong and swept every locality. Societies among the people were scattered everywhere; Peking and Tientsin plotted immediate insurrection; local banditti were swarming; placing my soldiers here and there for defense, this defense I found impossible to secure.

"Moreover, at this time there was international intervention and it was requested that in the interests of humanity a truce be declared and negotiatons undertaken. Perforce, therefore, there began conferences between the representatives and an edict was issued decreeing the fixing of the form of government by popular opinion.

"Protracted discussion resulted in nothing and continued delay meant increased danger of universal rising. Foreigners continually uttered reproof on the score of commercial interests and the indemnity. Members of secret societies and local robbers broke out into violence against women, rapine and murder, and because the country was in such a chaotic state politically it was difficult to restore order.

"Subsequently C'u-lun, Ili, Hulun severally declared independence; repeated disorders arose, too, in Tibet. Within there was ruin; without there was furnished the possibility of foreign intervention. The revolutionary forces were coming by various routes to attack the North. Disquieting reports came in numbers from Shantung and Honan. Hsuchou and Yingchou could not be saved by the rescuing forces sent to them. It was absolutely impossible in spite of many expedients to collect funds for military uses. In order to last out the year a million taels were absolutely essential. Moreover, the spirit of the army was shaken, governmental policies underwent transformation.

"At this juncture, had the strife been continued, in a very short time it would have been spring, the weather would have become mild and the ice would have melted,

the revolutionary army would have come north, and in that case it would have been impossible, either to fight, or negotiate for peace. Not only would the lives of the people have been plunged into distress, but Peking would have been shaken with terror and how then could the peace of Their Imperial Majesties be secured, or the protection of the Imperial Tombs and Temples assured? What of the Imperial Family and the livelihood of the Bannermen?

"Enmeshed in these difficulties it was futile for me to pray for death, and requests for dismissal were refused. With Hu Wei-te and others I indulged in secret grief and hidden sighs. Facing each other we could do naught but weep.

"Recently the Ministers to foreign nations, the commercial associations at the ports, the different conferences, the various troops, and the Provincial Viceroys and Governors have sent telegrams, all stating that the will of the people is bent on a Republic and that it would be well-nigh impossible to make stand against it. The crucial moment for affairs was one of extreme danger; fate hung upon the intake or expulsion of a breath.

"Should the enemy arrive at the walls of the capital the disasters resulting would be unimaginable. How much better for the Throne of its own grace to proclaim the republic at an early date. Thus would the Throne lose none of its glory and the people in their joy would be moved to grateful recompense.

"There was condemnation of the policy of staking the fate of their Imperial Majesties and the lives and property of the north on a single throw, trusting to luck in a single battle, without taking careful thought of every aspect of the case.

"Her Gracious Majesty and the Imperial Nobility, taking cognizance of the state of affairs and making confidential inquiries as to the sentiments of the people, held repeated conferences and came to the unanimous conclusion that fighting was under no circumstances permissible.

"I, Yuan Shih-k'ai, and the others, received many gracious commands from Her Imperial Majesty, emphatically directing that by mutual consent and encouragement we might plan for the protection of the Imperial Ancestral Temple and the Mausolea and that the peace of Their Imperial Majesties might be safeguarded. She was especially urgent in forbidding the instigation of racial war with its resultant miseries. When I received these commands I was frightened and feared that I should not be able to carry them out. My courage and strength were exhausted and I had no resource. I could place the country first in importance and making the peace of those above and the safety of those below my object, yield myself to the dictates of the majority.

"An edict was issued by Her Imperial Majesty directing me first to settle with the Revolutionary Army regarding the especial consideration to be accorded the Imperial Family and the treatment of Manchus, Mongolians, Mohammedans and Tibetans. In this the Throne chose the lesser evil, in a spirit of bitter and hopeless dejection.

"If an agreement could be reached by the two sides and peace declared, then the Imperial Family might enjoy glory and honor unknown to former generations and the hereditary nobility among the Manchus, Mongols, Mohammedans and Tibetans, as the allowances of the Bannermen might continue without interruption. This course was inexpressibly better than to await the final separation with its incalculable disasters.

"These matters were disscused numerous times, and having been carefully considered by the Throne an agreement was made, resulting in the present state of affairs.

"You, Sirs, desire ardently to rule with justice; with your eminent talents you aid the progress of events; you thirst for peace. We are of one spirit. Yet fearing lest the true inwardness of things might not be known to you in great detail I have presumed to present this summary, which I now commend to your attention."

PRESIDENT YUAN'S FIRST MASSAGE.

PEKING, April 29.—Yuan Shi-k'ai, President of the Chinese Republic, delivered his first Presidential message in the form of a speech at the opening to-day of the session of the Advisory Council, which is practically a Provisional Senate.

The President declared that the principles of the new Chinese Government must be the maintenance of order in the interior, the achivement of progress, and the retention of external friendships, which, he said, were necessary to the existence of China.

The foreign powers in recent years, said Yuan, had adopted a peaceful and just attitude and had shown a desire for the welfare of China which called for gratitude. The Chinese should learn to understand and treat foreigners with friendship and candor, and should rejoice over the establishment of a republic after thousands of years of despotism.

Yuan Shi-k'ai emphasized the necessity of forming a firm foundation on which to base the policy of progress. The most important matter at present, he said, was finance. Foreign capital was essential to China, and the Government was drafting the principles of financial reform. It was negotiating with the powers for an increase of the customs duties, the abolition of the likin or transit taxes, and the reduction of the export taxes. By means of the reforms the income from the maritime and native taxes would be increased to 60,000,000 taels (approximately $42,000,000) from the present total of 44,000,000 taels. The increase would suffice to pay for the amortization of the foreign loans. He hoped the railroad and other loans would pay for themselves. Pending the big loan the Government would issue short Treasury bonds.

Yuan recommended plans for the lightening of the burdens of the people, for proper surveys of lands, for a new scale of taxation, for a unified system of currency, and for standard weights and measures.

The President said that, owing to the insufficiency of financial experts among the Chinese, the employment of talented foreigners was necessary, and he recommended the employment of foreigners at the Finance Ministry so as to insure a correct budget and proper accounting.

Yuan pointed out that with the establishment of a republic industrial development had become of the first importance. Ministries of Forestry, Industry, and Commerce would be established to encourage and subsidize industries and to educate students. The mining laws must be reformed, and commercial laws must be adopted and enforced.

The troops in China were, said Yuan, unnecessarily numerous, and the Ministry of War had been instructed to reduce their number. Religious liberty would be guaranteed.

Yuan deplored the general lack of public spirit, the lack of moral training among the soldiers, and the lack of communications, which, he said, created local prejudices.

In conclusion the President promised implicit observance of all treaties, and that all engagements would be speedily met.

WORK OF THE RED CROSS SOCIETY IN CHINA.

(Special Correspondence of the China Press.)

CHUCHOW, Anhui, March 6.—Florence Nightingale sent the angel of a new ministry into the camps and hospitals of the world's battlefields. She was a prophet of the new morning. It might never have occurred to her mind that she was to do such a great and humane service. Like all the sons of men who are gifted with the seers' wide outlook, she was too magnanimous a soul to see herself or to dream of the laurels of fame that millions of men in coming struggles would throw at her shrine. The world honors courage when it is a gem set in the frame of a sublime humility. So it is that the white winged angels of peace and evangelists of the gospel of the love that does things has its commission which will never be rescinded; while the war drums beat and the battle flags are unfurled the little Red Cross ragshreds that bind man to man—will be the sign of the cross that got its motif, its soul-dynamic, from the heaven-sent Son of Man.

Like all movements that live, the history of the Red Cross is its deeds of today. China is glad today because the Red Cross came and ministered unto it. Several decades since in the throes of the upheavals and internicine strifes that preceded the tremendous reconstruction processes of the present moment, the humane mission of the Red Cross would have been, to the respective contestants, a mere farce. Only recently a veteran Chinese in the village of the Pearly Dragon Bridge, Anhui, related to the writer of this article the instance of some hundreds or more of the French troops in Annam, some forty years since, being ambushed by a surprise party of a thousand fierce fighting men. The native soldiers saw their men in a trap, the terrified and brave sons of France fought with valor, but the forces were too much for them, and they raised the white flag of surrender. With the fury of demons the Chinese soldiers massacred the whole company. Incident to this related fact the old soldier stated that they never knew what the white sign meant, and hence the normal deed of the ignorant. But every soldier in China now knows the meaning of the Red Cross flag.

The Red Cross Society of China during this wonderful civil war has done exploits. No one has written its story. In the pages of current human history it will be at its face value. Away back in the days of the Taipings the only attempts to assist in any humane service of this kind was through private and individual sources, and that only in the immediate centres of hospitals and missions. China was covered, like its teacups, from any outside flavors. But the situation changed with the range of commerce.

At the opening of hostilities between Japan and Russia, the Chinese, Japanese and Koreans found themselves, together with the many Westerners at those and adjacent places, in the immediate zone of danger. There was neither protection for the armies themselves adequate to the needs and its perils. Japan sent ships at once to Port Arthur, Vladivostok and elsewhere to rescue her subjects from the fields of threatened war. The Chinese Government was also aroused to see to the safety of her subjects and to assist in the fields of medical and first aid work. Russian subjects in Manchura suffered indescribably. The Chinese were refused permission to enter Manchurian ports. Neutral relations became delicate problems. The Viceroy of Shantung made arrangements to send ships to relieve their fellows from the scenes of war, but the doors were closed, and when war closes doors, things happen.

The excellent services of leading Chinese were called into play and through the generous offices of H. E. Shun Tun Ho, aided by the advice of Dr. Timothy Richard, it was proposed to "establish a Red Cross Society in Shanghai to assist in alleviating the suffering of those who are not being reached by the Red Cross societies of the two combatants." This led to the formation of the International Red Cross Society. Through the executive and administration of the work, which grew, and which was working everywhere, with the established missions and hospitals in China it became the Red Cross Society of China, and with the several other societies which have been working albeit, along the same lines, the splendid exhibit of self-effacement, courage and deed of love and daring have been acts of common occurrence in the paths of blood and fire at Hankow, Hanyang, Wu-chang, Chinkiang, Nanking, Chuchow, Linghwaikwan, Hwaiyuen, Hsuchowfu, Tsingkiangpu, and hundreds of other places in the provinces.

The Red Cross Society of China has been honored with receiving recognition from The Hague in accordance with the terms of the Geneva Convention. It has been true to its trust in the terms of its constitution "founded to alleviate distress and suffering in times of peace and of war." Apropos of the results of this kind of service, and with regard to its immediate effect upon the mind and heart of the new China, it may be pertinent to this subject to remark that the eminently practical character of the Red Cross work in seeking also to remove the causes of the dire distress among the starving millions of the Hwai River and other rivers of sorrow in China, is the recognized work of the hour.

The American Red Cross Society has sent its able representative, C. D. Jamieson, out from America specially to examine into and report on the engineering skill and plant and machinery required to canal and drain the lands of the Hwai River, so that future floods and the terrible famines may be largely avoided. Mr. Jamieson is an expert, and his services in this most practical and salutory scheme will bring his name into lasting remembrance by the millions of this densely peopled and future land of promise to the tenant farmers of Anhwei and Kiangsu.

In a report to the Red Cross work Rev. W. Remfry Hunt stated that the famine refugees were coming south in thousands. The city merchants and gentry of Chuchow, Anhwei, estimated that not less than 1,000 of the desti-

tute poor—mostly farmers—had died in their district, and in many cases their corpses had been devoured by the scavenger dogs outside the city walls.

Whatever the future has in store for China, and no prophet dare predict, one thing is certain, the people will forever, in the districts that have been devastated by the cruel hand of war, link up the missions with the kindly and sympathetic aid given through the sign of the Red Cross on cap and sleeve. Missions have scored well. Some cities in the interior were saved from devastation by fleeing armies through the kindly and courageous offices of missionaries of the Red Cross. The people in the sacked cities and burning villages never looked once to the priests in the temples or the gods in the shrines for real aid. The present revolution is an evolution in more senses than one.

"Still the gods were in the temples,
But the ancient faiths had fled;
And the priests wailed by their altars,
Only for a piece of bread."

Three million of the hard working tenant farmers of Northern Anhwei and Kiangsu are facing starvation, and the American Red Cross Engineer, C. D. Jamieson, reports that the indescribable misery resulting from last year's flood and famine have been "incredibly magnified and increased" by the revolution. The most pitiable and tragic period is from now on till May, when this year's necessarily scanty crops will come to maturity. All honor to the brave physicians, Booth, MacWillie, McKlin, Brown, Balcan, Findlay, Cochrane, DeVol, Ziervogel, Osgood and many others and their Chinese helpers who are giving their life strength to the alleviation of the untold suffering which is being daily endured by millions within a day's railroad trip from the fair southern capital.

In a personal conversation with the stationmaster at the Hsun-chow-fu of the Tientsin-Pukow Railroad station, our correspondent learned that the depredations of Chang Hsun had brought down upon him the hatred and scorn of that entire section of Anhwei province. On the personal order of Chang Hsun the station master at Hsu-chow-fu, S. T. Chan, was robbed of three cars of kerosene oil valued at $5,000. One whole carload of station furniture and fittings was also looted and taken away north, also one carload of import sundry cargo which had been brought across to the railroad depot was also requisitioned and the value of its stock enjoyed by the motley crowd which made up Chang Hsun's brigand army.

At the railway station at Hsu-chow-fu the redoubtable general had a grand gala over his installment as Viceroy of Nanking. The officers were feasted and wine and revelry held a high game in town that night. The Yamen of the Viceroyalty was held at the railway station waiting room. The usual ragtail and the regal paraphernalia of such a coveted office was put on by the followers of Chang Ssun, all of whom sought office and most of whom found it not.

The Red Cross workers who came down to assist the Imperialist forces were not treated with any degree of courtesy by Chang Hsun. Chang kept "at home" on the car with a steam kept-up locomotive, facing north, with several cars back and front of his private car, and always with a strong picked body guard.

Dr. Watson and another foreign physician came down from Tientsin with some thirty or more Red Cross first-aid workers, nurses and coolies, and when they asked permission of the General, after the fighting had finished at Ruchen and Hsin Kiao, to return to Tientsin by car or trolley they were flatly refused and treated with the usual courtesies becoming the defeated General's treatment of his folk. The only good treatment the Red Cross workers received was at the hands of the station master, S. T. Chan, who is a capable, courteous and tactful servant of the Tientsin-Pukow Railway staff.

Looting and incendiarism became rampant all over the district of Hsu-chow-fu, Nansuchow and the adjacent agricultural country. With the terrible famine conditions already existing and its resultant in the deadly fevers abounding, added to by general license in brigandage and rapine, the havoc and distress is beyond the power of words to describe.

Many of the literary and the merchant class gentry are deeply grateful to the Red Cross workers for their aid and counsel in dealing with the famine conditions. Some of the Chinese told the writer that they appreciated more than words can express their gratitude of the people of Shanghai, and the help that is forthcoming from abroad in the interests of removing in a scientific manner the cause of such dire calamities in famine in the future.

The outlook in Northern Anhwei is a sad picture. If volunteer help is not forthcoming at once the work of distribution will be seriously retarded and the case is terribly urgent. The sea of faces hungry, gray, gaunt and homeless is like a vast lazar house. One of our Chinese doctors from Chuchow, Dr. Tsu Yueh-ai, was walking along the street in the market district, and a poor emaciated mother came up pleading with him in tears, saying, "Oh, compassionate one, great brother, take my little son and save it from this awful death." The mother's heart was broken. She sobbed and laid the baby boy at the doctor's feet and ran in among the crowd and will meet him no more.

The missions at Hwai Yuen and at Tsinykiang-fu, and Ssu-chow-fu and Chu Chow, and all along the line are giving life and cheer to the dying and the hopeless in these places. These services are deeds of valor. No little cross of bronze will deck the breasts, with its ecomium "for valor" of the physicians, volunteers and business men of the open ports who have gone into the field in such heroic service, but in those places missions will have a mighty push forward.

These are days to make benevolence, education and the solution of economic questions and social problems count, because if these urgent national reforms are to be permanent they must be so insured by vital moral causes.

THE FINANCE OF CHINA.

By J. O. P. Bland.

In a recent telegram, the *Times* correspondent at Peking reported that "general satisfaction is expressed that the six Powers whose interests are predominant in China have agreed upon the paramount importance of rendering financial assistance to Yuan Shih-k'ai without delay, in order to strengthen his authority and aid the early establishment of a strong Central Government." After explaining Yuan's most urgent requirements for the payment of troops and the maintenance of Chinese legations abroad, and describing the manner in which these requirements are being met by the "Four Nations" banks, with the approval of their respective governments, the correspondent observes that "the banks of all six nations will participate, conditions being arranged later. The participation will be retrospective, and will cover also the advance last week of 2,000,000 taels to the Provincial Government at Nanking. The loan agreement between the Russo-Asiatic Bank and the Nanking Treasury for £1,500,000 will be abandoned."

Those who have studied the close and intricate connection between international politics and finance in the Far East will appreciate the significance of the position of affairs thus outlined. To explain it in extenso would require a volume; a condensed history, in fact, of China since 1898, when first the eagles began to gather together about a clearly predestined carcass. Within the limits of the present article it is not possible to do more than consider the most important causes and probable results of the existing situation, having particular reference to their bearing upon British interests.

Imprimis, a word of explanation considering the "Four Nations" syndicate of bankers. This financial combination, enjoying today the practically exclusive support of the British, French, German and American governments in China, was formed in 1909, but the political and financial germs from which it was gradually evolved date back to the days when "spheres of influence" were in the ascendant, when the shadow of Russian expansion lay darkly over North China, and before the rise of Japan to the position of a great Asiatic Power had called new and turbulent spirits from the Celestial deeps, postponing for a while the day of China's partition. The consolidation of international financial interests which has been evolved at Peking since the tumultuous days of the Battle of Concessions in 1898, affords in itself a most remarkable illustration of the modern world's economic interdependence. It reveals also the far-reaching influence which the cosmopolitan financier wields in the field of our latter-day politics, and emphasizes in the clearest possible manner the fact that, so far as British interests are concerned, the ends toward which that influence is exercised require a wider measure of intelligent anticipation and firm guidance than they have yet received from any British Government.

The history of British political economy in China during the past decade has been almost exclusively connected with the financial operations of the Hongkong and Shanghai Banking Corporation, the leading British Bank of the Far East; and with the railway loans negotiated either by that institution or its affiliated companies. It may therefore be useful to recapitulate some of its main features and turning points. In 1895, that is to say, before the Cassini Convention and the seizure of Kiaochao had foreshadowed the conditions which were to turn Manchuria and North China into a cockpit, the British Bank entered into an agreement to share with the newly established Deutsch-Asiatische Bank of Berlin all Chinese Government business obtained by either party. In making this agreement, under political conditions widely differing from those of today, the British Bank was, no doubt, actuated by a perfectly legitimate and intelligible desire to avoid unnecessary competition in a field which, up to that time, had been generally neglected by other Powers. In 1898, however, with the acute development of the "spheres of influence" régime and the assertion by Great Britain of special rights in the Yangtsze Valley, five exclusively British railway concessions in that region were extracted from the Chinese Government under severe diplomatic pressure by the British Minister. These concessions were clearly not of a nature to be financed with German participation; they were accordingly obtained on behalf of a purely British syndicate, the British and Chinese Corporation, in which the Bank was associated with the firm of Jardine Matheson & Co., as joint managers. From 1899 to 1906, as the result of the Boxer rising and the Russo-Japanese War, political finance in China remained, generally speaking, in a state of suspended animation, only one of the five British railway concessions being brought to the conclusion of a loan during that period. It is, however, noteworthy that, in regard to the final Boxer indemnity loan of February, 1905, the Deutsch-Asiatische Bank asserted its right to participation under the terms of the 1895 agreement, although in 1898, foreseeing difficulties with Russia, it had declined that right in the case of the Northern Railway loan. Upon the conclusion of the Russo-Japanese War, economic conditions in China quickly reflected the political changes which then took place as the result of Russia's defeat, of the aggressive nationalism of Young China, and of the increasing competition by new comers for a share of the benefits confidently expected to follow upon the country's promised development of trade and industries. When, therefore, four of the five British railway concessions obtained in 1898 had been negotiated, *tant bien que mal,* to the conclusion of loan agreements in 1907-1908, the German Bank took occasion to intimate in London its intention of competing for railway and other Chinese Government loans, unless admitted to full participation on terms of equality.

The position of the financiers responsible for the proceedings of the British Bank became, at this juncture, one of considerable delicacy. On the one hand, they were bound to acquiesce in the German demand for participation because of their undenounced agreement of 1895; on the other hand, having for years enjoyed a monopoly of

British Government support and become identified with British enterprises of far-reaching political importance, they could not openly advance the German claims without arousing criticism and opposition in England and France. The Germans, however, realizing that the psychological moment had arrived, proceeded to force their partner's hand. The representative of the Deutsch-Asiatische Bank at Peking (Herr Cordes, formerly of the German Consular Service) had gained high favor with the Chinese in 1908, by dispensing with all effective control of loan funds in the case of the Tientsin-Pukóu Railway; he now gave an earnest of the significance of that policy, and claimed his reward, by opening negotiations with Chang Chih-tung, the Viceroy at Wuchang, for the Hankow-Canton, and Szechuan Railway loans. Both of these lines, coming within the Yangtsze Valley area, had been recognized by the Chinese Government as enterprises reserved for the British, the United States alone being entitled to a share in financing the Szechuan Railway. In entering into competition for these loans, the Deutsch-Asiatische Bank violated an agreement made on September 2, 1898, whereby German financiers bound themselves to respect the Yangtsze Valley as a British Railway sphere (*vide* Blue Book China, No. 1 of 1899, p. 214); it ignored, also, the formal protest addressed by Sir John Jordan to the Chinese Government, alleging, in justification of its action, that the conditions under which Great Britain's preferential rights had been recognized had automatically lapsed with "spheres of influence." In view of the fact that German claims to exclusive rights in Shantung have been consistently—not to say quixotically—recognized by Great Britain, the bad faith of German's action in this matter was on a par with that of the Chinese, who, in repudiating their pledges, were obviously actuated by a desire to foment international jealousies.

Despite the misgivings and dissatisfaction of the French financiers associated with the Hong Kong and Shanghai Bank in the syndicate known as the "Chinese Central Railways, Ltd.," notwithstanding strong representations by the French Ambassador in London, and protests and warnings addressed to the Waiwupu by the British Minister at Peking, German participation in these Yangtsze railways became an accomplished fact in June 1908. The British Government's deplorable weakness throughout this unfortunate episode was primarily due to ignorance of the inner workings of German political finance, and consequently to the preponderant weight exercised by the counsels of Lombard street. Downing street sought justification for what was generally recognized as an ignominious *débâcle,* in the pious hope that, after the elimination of German competition, it would be possible to impose on the Chinese Government conditions of honest railway construction and administration. Any one acquainted with the political finance methods pursued by Germany in China, Turkey, and other "troubled waters," must have realized the impossibility of attaining any such object by the means suggested; nevertheless, assurances were given and apparently accepted in good faith by the Foreign Office, that, with the admission of Germany to participation with the officially supported Anglo-French group of financiers in Chinese loans, those safeguards and guarantees would be re-established whereby China would be compelled to admit strict supervision of loan funds' expenditure. By an exchange of notes early in 1909, the British and French governments had declared themselves opposed to any British or French capital being lent to China except under these conditions of control; they might, therefore, have been justified, as a matter of expediency, in consenting to German participation, had steps been taken to insure fulfillment of the conditions of effective control named in the memorandum of terms upon which the new Anglo-French-German combination was established. As events proved, no such conditions were imposed; on the contrary, the terms upon which the Hukuang and Szechuan railway loans were eventually concluded with the Chinese Government revealed an unmistakable tendency to relax still further the supervisory safeguards whereby the best interests of China and of her creditors had in the past been protected. This tendency has since been rapidly accelerated, so that today capital is being pressed upon a disorganized and more or less irresponsible government under conditions likely to lead to grievous waste and corruption, internal unrest in the provinces, and endless complications abroad. The terms of last year's "Currency Reform and Manchurian Development" loan clearly reflected the temporary profitable, but ultimately fatal policy of floating Chinese loans regardless of their political and economic consequences—a policy, of Teutonic origin which Great Britain for years wisely and successfully opposed as prejudicial to "the independence and integrity of China."

The admission of German participation to the Anglo-French combination represented by the Hong Kong and Shanghai Bank and the Banque de l'Indo-Chine, in the Yangtsze railway loans, was an event sufficiently significant and important in itself to provoke further political complications. The correspondent of the *Times* at Peking, telegraphing on May 9, expressed the general wonder that "the British Government should delegate to one British Bank, which is naturally compelled to consider financial rather than national interests, the right to assist the extension of German influence." No sooner had British rights been irrevocably surrendered, however, than the Government of the United States intervened, formally protesting against ratification of the proposed railway loans and claiming the American rights of participation recorded under the agreement of 1903 between Prince Ching and Sir Ernest Satow. This was in June, 1909. Chang Chih-tung, advised by the agent of the Deutsch-Asiatische Bank at Peking, showed a disposition to ignore the American protest, whereupon Preisdent Taft took the unusual, but highly effective, step of telegraphing to the Prince Regent direct, forcibly insisting upon recognition of American rights. This telegram was described by the Peking correspondent of the *Times* as "directly due to the intrigues of the Deutsch-Asiatische Bank, whose influence over the Hong Kong and Shanghai Bank is so injurious to British interests in China"; he furthermore said that it was "the opinion of many English-

men that the British Government should bring pressure to bear upon the Hong Kong and Shanghai Bank to dissociate itself from these German intrigues which are persistently directed here as elsewhere, to bring us into a misunderstanding with the Americans."

The firm attitude adopted by the United States Government at this juncture, and its results, served to throw into relief the vacillating inefficiency of British policy. Chang Chih-tung, who had persistently violated his former pledges to Great Britain and contemptuously ignored the existence of the British Minister, was effectively brought to book in one short interview demanded by the American Chargé d'Affaires. As the result of President Taft's message, American rights were promptly recognized by the Waiwupu, and Chang found himself compelled either to accept them or to abandon altogether the railway schemes to which he was publicly pledged. In the event of this abandonment there would be compensation payable to Germany for non-fulfilment of the preliminary agreement, which had been used to force the British position; Germany, having secured her footing in the Yangtsze provinces on terms of equality with England and France, was not prepared to insist on the exclusion of America; her agents contented themselves, therefore, with earning further instalments of Chinese gratitude by sowing discord between the British and American diplomats and financiers. At the annual meeting of shareholders of the Hong Kong and Shanghai Bank held at Hong Kong in February, 1910, the chairman faithfully reflected the aims of German policy. After observing that the bank's protracted negotiations with the Chinese Government had resulted in a satisfactory arrangement "fulfilling all necessary conditions of security and providing for equal distribution of material benefits among the international groups interested," he deplored the fact that "the revival of claims in another quarter had necessitated the rearrangement of terms and had imparted a political character to the negotiations, which had unfortunately retarded this completion." With touching *naïveté* he contended that the fruits of the impending economic development of China "were likely to be shared most largely by those who, free from suspicion of political motives, are prepared to meet the needs of China in the simplest, fairest, and most practical way." Sentiments like these, coming at a time when Germany, with the plainest of political motives, had used its relations with British financiers to damage British prestige and annex British rights, found no echo in the opinion of Englishmen in China. The *North China Daily News* observed that "this appeal for the complete divorce of finance from national interests will, we venture to believe, meet with no response outside the financial circles immediately concerned." The writer, with perfect accuracy, charged these financial interests with having "arrogated to themselves the disposal of British Treaty rights and surrendered the British commercial claim on the Yangtsze basin," and justly concluded, "This may be finance, but it is not patriotism."

The Chinese Government, having made a virtue of necessity, and America having been admitted into the "ringed fence" of Chinese finance, the "Four Nations" Syndicate became the recognized centre of financial activity in China. But it speedily became manifest that even so powerfully supported a combination of cosmopolitan activities would not be allowed to enjoy the field undisputed. At an early stage of the crisis in 1909, Japan took occasion to remind Chang Chih-tung and the Waiwupu of certain binding engagements entered into by the Viceroy in 1905, with regard to the employment of Japanese engineers for the Hukuang Railway. In July, the Russian Minister informed the Waiwupu that, in view of Russian interests in the tea trade of the Yangtsze Valley, the Russian Government requested that Russian financiers, as represented by the Russo-Chinese Bank, should participate in the Yangtsze Railway loans. The eagles were gathering to the carcass. The writing was plain upon the wall, foretelling the ultimate administration of China's finances by those who should now become her "purely commercial" creditors, and diplomacy hastened accordingly to peg out its claims. To save China from the dangers of political money-lending, aggravated by the dishonesty of her own officials, a sustained policy on the part of England and France as the chief controllers of international capital might have been made effective. The necessity for this policy had been recognized and declared as frankly in Downing street as at the Quai d'Orsai; its abandonment was by no means acceptable to the French Government, whose acquiescence in the Teutonic proclivities of British finance was reluctantly extracted under pressure.

The incursion of American diplomacy into the stricken field of Chinese finance, while primarily brought about by China's non-observance of American rights in the Szechuan railways, actually synchronized with the determination of the State Department actively to assert the principles of the "Open Door" and equal opportunity in Manchuria—principles that were evidently jeopardized by the growing community of interests and political *entente* of Russia and Japan in that region. The veto imposed by these Powers on China's attempts to introduce British and American capital into the construction of the Fakumen and the Chinchou-Tsitsihar-Aigun railways, clearly foreshadowed the separation of Manchuria from China proper as a field for "open door" enterprise.

Mr. Knox's proposal to neutralize the whole of the Manchurian railway system, as Chinese property under international financing and control, was the outcome of suggestions offered by Tang Shao-yi during his special mission to Washington, and of arrangements made by that official, when Governor of Moukden, with W. D. Straight, then United States Consul General in that city. The line of policy proposed by the United States State Department was incontestably justifiable and logically incontestable, in view of the terms of the Portsmouth Treaty and of the "open door" pledges given by all the Powers concerned. It coincided exactly with the declared policy and interests of Great Britain; but it failed, because possession is nine points of the law, and because the restraining influence of treaty engagements is a steadily decreasing factor in modern politics. It failed because, against Russia and Japan in possession of positions of obvious advantage and

agreed upon joint action for their protection, no benevolent theories or assertions of moral principles could avail anything. When, under Article XVI of the "Currency Reform and Industrial Development" loan agreement concluded in April, 1911, the "Four Nations" Syndicate obtained from China first option rights for all future loans intended to continue or complete the development of Manchuria, American publicists, undeterred by the fiasco of the neutralization scheme, rejoiced at so rapid and complete a success of "dollar diplomacy." Their short-lived jubilation served merely to announce the introduction of two more partners into the company of China's actual and prospective benefactors. The fact that neither Russia nor Japan has any capital to lend did not deter either Power from vetoing this future loan provision of the Manchurian development agreement, and claiming rights which involve repudiation of China's claim to sovereignty in that region. The signature of the "Four Nations" loan was welcomed by the "American Association of China" as relieving the fertile Manchurian provinces from foreign aggression by the "combination of four of the most powerful nations in the world becoming suddenly possessed of vested interests in that region"—a combination whose object it was "to protect a weak and embarrassed nation from avaricious neighbors." The original intentions of the American State Department, when embarking upon its adventurous course in Chinese finance, had been, firstly, to handle this Manchurian loan as a purely American business, and secondly, to insist upon the regular and honest administration of all loan funds. The first of these intentions was abandoned so soon as the risks of isolation were emphasized by the conclusion of the Russo-Japanese agreement; the second was quietly dropped when, with fuller knowledge of men and methods at Peking, the American group's representative realized that the Chinese Government would make no loans involving effective supervision or control of mandarin expenditure, and that Anglo-German finance had dispensed with all such "vexatious interference." Thus, cosmopolitan finance was eventually established at Peking under conditions which augured little good for any one except the financiers immediately concerned in the flotation and handling of loans, and to those governments which wisely direct the activities of their capitalists and financiers along the co-ordinated lines of an intelligent national policy.

How closely political and national aims are identified with finance at Peking may be inferred from the fact that, with the solitary exception of the British, each of the financial representatives of "the six Powers whose interests are predominant in China" is more or less closely connected with his country's diplomatic service. M. Casenave, manager of the Banque de l'Indo-Chine, holds ministerial rank; Mr. Odagiri, manager of the Yokohama Specie Bank, was one of the ablest and best informed members of the Japanese consular service, for years employed as Consul General at Shanghai, and on terms of intimacy with the highest Chinese officials. Mr. Straight, representative of the American group of financiers, entered their service from the Consulate General of Moukden; the Russo-Chinese Bank's agent is, to all intents and purposes, a Russian Government official. Finally, Herr Cordes, manager of the Deutsch-Asiatische Bank, holds the rank of a second secretary in the German Legation, while his late chief in Berlin, Dr. Knappe, ex-Consul General at Shanghai, was an official who had distinguished himself by Anglophobia in the Samoan embroglio, and again at Pretoria in Kruger days. Only the British Government, faithful to its fetiches of free trade and non-interference, ignores the advantages which an intelligent state directed use of capital might render to its commercial and industrial interests, leaving British finance, like British commerce in the Far East, to work out its own salvation. Small wonder if, as I have shown, the foremost British bank in China adopts a policy of complete denationalization, counting four German directors on its board, and repeatedly asserting its pathetic belief in the separation of finance from British national interests; proclaiming, in other words, the creed that dividends and profits are the one thing needful. "The capitalist," says Norman Angell, in *The Great Illusion*, "has no country. He knows, if he be of the modern type, that arms and conquests and jugglings with frontiers serve no ends of his." The recent experiences of France under the Caillaux régime afford startling confirmation of the partial truth of that statement.* Nevertheless, and for the very reason that knowledge of the Caillaux *débâcle* is common property, there is cause for sorrowful amazement in the fact that the British Government continues to place large discretionary powers in the hands of financiers avowedly in close partnership with Berlin, permitting British rights to be bartered away and British prestige to be lowered for the possible benefit of irresponsible corporations and their cosmopolitan supporters. To perceive the foolishness and danger of such a policy, let the reader endeavor to imagine the possibility of a German bank, handling unlimited resources of German capital, which should conduct its business in partnership with a purely British bank under conditions clearly prejudicial to Imperial German policy and without regard to the interests of German manufacturers and merchants.

Thus far I have broadly outlined the genesis of the present financial combination at Peking of "the six Powers whose interests are predominant in China," which have agreed upon the paramount importance of rendering financial assistance to Yuan Shih-k'ai. These six Powers are America, Great Britain, France, Germany, Japan and Russia. Of these it it may fairly be said that two—Russia and Japan—have no financial assistance to offer; their intervention is therefore essentially political. Of America

* It is worthy of note that M. Caillaux is president of the Paris group of the "Chinese Central Railways, Ltd.," the chairman of the London board being Sir Carl Meyer, Bart. It was after a visit of Sir Carl Meyer and Mr. Addis (London manager of the Hongkong and Shanghai Bank) to Berlin in November, 1907, that the bank's attitude and proposals to German financiers amounted to a fundamental change of policy. Carl Meyer's services to the Empire have been rewarded with a baronetcy by the present Government.

and Germany it may be said that, on a purely financial basis and without ulterior motives, political and economic, their resources in the money lending business could not face competition with the money markets of Paris and London. In considering the existing situation and its probable developments, it becomes therefore necessary to distinguish clearly between those Powers whose foreign policies guide and control the operations of their financiers abroad, and those which are more or less controlled by their financiers. In the latter category, so far as China is concerned, England stands conspicuously first. The French Government, having power to refuse quotations on its Bourse, plays in Europe a dignified and influential rôle, wisely using its national reserves of wealth as a powerful political weapon; but in China, as in Turkey, partly because of loyalty to the *entente cordiale* and partly because of "cosmopolitan finance" influences at headquarters, French national interests, like those of Great Britain, have been dragged at the victorious chariot wheels of German diplomacy. America's rôle opened, characteristically enough, with perfectly genuine and benevolent intentions on the part of the State Department, and the American people, for the few days in which the matter occupied their attention, saw in themselves the predestined saviors of China. Left to work out their own salvation in Peking, however, the pioneers of dollar diplomacy in China speedily discovered the futility of tilting at windmills. Financiers of the American group, finding prospects of profitable business incompatible with the altruistic aspirations of their national enthusiasms, naturally preferred the certainty of 5 per cent. to doubtful paths of philanthropy; they gravitated, accordingly, along the lines of least resistance, into the orbit of cosmopolitan finance under German influence. The strength of the chain of good intentions professed, *coram publico,* by financiers at Peking was perforce that of its weakest link, the link of a premeditated complaisance dictated from Berlin.

For those who have studied the methods of German diplomatic finance, and its effects on German enterprise and trade in the Far East, the causes of that complaisance are not far to seek; for those who know them not, the history of the Tientsin-Yangtsze Railway provides sufficient information and some edifying object lessons. Space does not permit of reproducing here the details of that instructive lesson in Anglo-German finance and Chinese corruption; this much, however, has been clearly proved by that melancholy experience, namely, that so long as British policy in China proceeds on its present *laisser-aller* lines, while all the resources of German diplomacy are directed to the closest co-ordination and interdependence of German political, financial, industrial and commercial interests, so long will British capital be subscribed for the ultimate benefit of our trade rivals in the Far East and for the ultimate undoing of China. Apart from the scientific organization of political and commercial forces peculiar to Germany and Japan, and which British diplomacy is still taught to despise, German finance habitually employs methods of conciliating the mandarin which are generally foreign to British ideas. The first result of this state of affairs is shown in the fact that whereas, on the German financed section of the Tientsin-Yangtsze line every foreign employee is German and all materials are imported from Germany, the British section has brought little credit or profit to British interests. It cannot be too emphatically stated that if British capital is to be employed for the legitimate promotion of those interests and for the ultimate benefit of China itself, it is essentially necessary that the loan funds should be honestly administered under effective supervision, such as obtained before Germany secured her present "participation." The British Government has repeatedly recognized the necessity for insisting on this condition, and British financiers themselves have declared it to be imperative for the ultimate security of bondholders; yet today, at a time when the rapacity of the mandarin is intensified by his sense of insecurity, it is cast to the winds. It were better far that British and French capital should be altogether withheld from China than that it should be employed to create further demoralization in the Chinese Government and further opportunities for German *fournisseurs.*

I have dealt thus far with the situation as it affects the foreign Powers concerned. Let us now glance briefly at the objects of the present financing of China and their probable effect upon the Chinese Government. The policy of the "Four Nations" Syndicate of bankers, framed with the approval of their respective governments and the concurrence of Russia and Japan, has been declared to be "to render financial assistance to Yuan Shih-k'ai in order to strengthen his authority and to aid the early establishment of a strong Central Government." The banks of all six nations will participate in the large loan to be hereafter arranged; in the meanwhile the Ministry of Finance at Peking and the Provisional Government at Nanking are to be provided with funds, as required, for the payment of troops and other administrative purposes.*

Bearing in mind the fact that the first outbreak of the revolution in Szechuan arose from the opposition of the provinces to foreign loans contracted by the Central Government; remembering that the Republican party has completely disorganized the collection of land tax and lekin throughout the provinces, and now exists from hand to mouth, with no immediate prospect of establishing regular taxation or fiscal administration, it must be clear to every impartial observer that no better procedure could be devised to prevent the establishment of a strong Central Government than the system thus introduced of supplying the mandarins of Nanking and Peking simultaneously with foreign loan funds. If one feature stands out more clearly than another from all the chaos of the past six months it is the hunger of the officials of both parties to obtain foreign loans, and it may therefore safely be assumed that, whatever form may take the final settlement between Peking and the provinces, the latter will never surrender,

* Since this was written T'ang Shao-yi has broken out of the "ringed fence" and started borrowing in the open market—an exhibition of free trade tendencies which the banks and legations concerned characterize as "bad faith."

except under compulsion, the precedent thus established, by which they secure the direct handling of such funds. Nor is it likely, in the light of all experience, so long as any means can be found for continuing the payment of troops with borrowed capital, that this dangerous rabble will be diminished either in numbers or audacity. Every mutiny for arrears of pay, real or alleged, will serve as a pretext for further loans until, by the rapacity of place seekers and swashbucklers, the country is finally involved in chaotic insolvency. The policy of the Bankers' Syndicate must inevitably produce endless dissensions in the new republic; fierce scrambling for its loaves and fishes, insatiable hunger for more, with rampant corruption and waste. The security for the foreign bondholder, to be recovered eventually by foreclosure on the realizable assets of the mortgagor, is sound enough, no doubt, but the indirect cost of collection promises to be extremely heavy. If this fatal course of complaisance be maintained it can only end in the placing of China's finances under international control, a solution obviously undesirable. That China must have funds for her immediate needs is clear; but if those needs are not to breed a thousandfold in trouble for the future, it should be the policy of England, the United States and France to make common cause and, once for all, to declare that these funds must be administered under the responsible supervision and control of European accountants. Financiers who profess inability to impose this condition on Chinese *amour propre* are merely following the facile Teutonic line of least resistance. The theory today, as it was in the case of the Tientsin-Yangtsze loan in 1908, advocates putting the Chinese " on their honor," so as by such evidences of confidence to breed in them honesty and self-respect. Cynical persons have observed that the procedure is more likely to breed further opportunities for financiers, especially when, as in the case of last year's loans, they see this touching confidence displayed in dealing with officials of the stamp of Sheng Kung-pao, and vast sums handed over to the unfettered control of Chinese bankers. Young China requires no flattering of its *amour propre;* further acquiescence in its present ways can only lead it into new paths of folly, to interference in the foreign customs and urgent demands for the abolition of extra-territoriality. Let the republic be financed by all means, but, until it has given proofs of capacity for honest administration, let the proper use and avowed purposes of foreign loans be secured by the conditions of supervision to which the Chinese have long been accustomed, and which the better class of their officials recognize as imperatively necessary in the true interests of the country.—*National Review.*

CHINA'S FINANCIAL OUTLOOK.

BY SIR ROBERT BREDON.

(From the (London) Daily Telegraph.)

What will be the outlook, permanent or provisional, two years hence of the present turmoil in China no one may profess to foresee. Those who have lived longest among Chinese and have been in closest touch with them are probable the ones who will dogmatize with the least force and prophesy with the greatest reserve. It looks very much as if the wisest course is to follow the direction of an old resident, who, when questioned on Chinese matters, replied: "Think of all the things which in your opinion can possibly happen, and decide that none of them will, and that something quite unexpected and unthought of is what will arrive. " It looks today as if the Cantonese oligarchy which assumes the name of the Republican Government of China will come out on top. The Manchu Emperor is a child of five years, born and bred in seclusion, and although he has the prestige of being the descendant of great men and the nominee of a great woman, he has been unfortunate in being called upon to follow on his throne three successive nonentities. Such a Sovereign can hardly be expected to inspire the enthusiasm of the fighting man in his cause, either in the field of politics or of war.

The dynasty has fallen on evil times. The Regency has been a failure—largely because the Regent has been even unable to keep discipline in his own family, which is the strongest evidence of character weakness the Chinese mind can conceive. To say that the growing corruption of Manchuism has been an affair of a year or two would be misstating the case, though it may be fairly said that its worst stage of political putrefaction, with all its malodorousness, has only been reached at a recent date. In the earlier days of the Imperial decadence, every selfish politician, every place-hunting toady, Chinese or Manchu, had his chance of ousting the more capable and honest man and acquiring his share of the spoils of office if he could pay for his chance of laying hold on them. The spoils were not entirely a Manchu perquisite. Though that clan always got more than its share, there were enough Chinese beneficiaries under the system to make a solid bunch which, on the principle of Benjamin Franklin, hung together to avoid hanging—or decapitation—separately.

DOWNFALL OF THE DYNASTY.

The debacle of the dynasty has been coming since the plums of office have been inordinately appropriated by a greedy and extravagant coterie of princes, princesses. dowagers, and satellites. There was nothing then left for the clever young Chinese, who are in a hurry to see their American and Japanese education and Treaty Port experience bear golden fruit, but to change the *régime*—not only that, but to get rid of the old school and the old men. Hence the cry, much like what they probably heard in San Francisco, applied to themselves: "The Manchus must go." If they said, "Manchuism must go," one could entirely sympathize with them. Manchu autocracy—probably all legitimate autocracy—in China is gone forever, whether or not the Manchu dynasty even in expurgated and constitutional form, can maintain any sort of sovereignty.

That is a question very likely to be decided adversely, though, like everything else in China, survival must be counted a possibility, be it never so unexpected. While there's life there's hope. One may, for the moment, be forced to admit that the prospect of a Republic being established is a likely one, but one must suspect that the chance of its being able to keep its hold on the nation once an Empire is unlikely. What one can assume as probable—and the best that can be expected for China during the next two or three years—is a Government, so far of an unknown form, which will try to establish and maintain itself under difficulties with limited enthusiastic support and probably much passive indifference not far removed from opposition.

To get ourselves out of this uncertainty there is but one policy—wait and see. We must leave China to herself, to do her own business in her own way, so long as she plays the game, even if she plays it unskilfully. It might become another question if she tried to play it unfairly. One thing, however, is absolutely certain to call for consideration at a very early date, and that is the financial prospect in China.

FISCAL PROSPECTS.

To begin by detailing in order the questions which will arise, we may ask first, What is the financial condition of China today? Then, what are its prospects, for better or worse, in the near future? Assuming that the fiscal position of the country could not be put on a sound basis without borrowed funds, where will the funds for doing this come from? To what extent will they be required? What security, tangible or intangible, will the borrower have that his interest and capital will be secure? What administrative system will be necessary not only to make the security safe, but to make the country's credit reliable? And in this connection one may parenthetically observe that the national credit legally and formally pledged is the only real security for any loan. Guarantees and pledges are all very well for advertising purposes, but we have already seen that revolution can annihilate pledges, as it has done in the matter of Lekin. If certain revenues are pledged, how can interest or security be realized by a foreign collectorate, without to a greater or less extent violating the independence of China and exciting popular resentment?

When we attempt to discuss China's financial question today, we are by no means certain that we can do so with accuracy. There has never been any statement, full and complete, issued from any official or really responsible authority. All those who have written on the subject, including such authorities as Sir Robert Hart, Mr. George Jameson, and Mr. H. B. Morse, have been compelled to base their conclusions largely on estimates founded on unconnected statements, furnished piecemeal from individual provinces. The only attempt which the writer has ever seen made to show China's financial position as a whole was the Budget, so-called, placed before the National Assembly in the autumn of 1910. Even this cannot be considered wholly reliable, for the Finance Minister himself admitted to the writer that the amounts given were largely only additions of provincial figures, of the accuracy of which his department was not absolutely assured. But, at any rate, this Budget made an effort to show the expenses of the Government and the debt charges, including, presumably, indemnity payment quotas, as separate items. Unfortunately, however, there is nothing to show whether the income figures are gross or not—i. e., whether they represent actual net available proceeds, after deduction of collection charges. Neither is it made clear whether they include all the items of receipts and expenditures in the provinces, or only those of which the Central Government can insist on taking cognizance. To include all the details of the Budget in this paper would necessitate more space than can be given; besides such details are hardly necessary for the writer's purpose. Figures quoted, therefore, will be merely round, or approximate, numbers.

THE EMPIRE'S REVENUE.

The Ministry of Finance estimated the whole revenue of the year at, say, 297,000,000 taels. (A tael is now about 2s. 9d.) A committee of the National Assembly, on consideration of the Ministry's figures, decided that its estimates of total receipts were something like 5,000,000 taels too low. The Ministry estimated the total necessary expenditure as about 339,000,000, representing a deficit of something like 42,000,000 to be provided for in a manner which suggested complete dependence on providential aid. The Assembly's committee cut down the expenditure figures, mainly by large reductions in the two important items of army and education, to about 261,000,000, thus turning the Ministry's estimated deficit of 42,000,000 into a surplus of about 36,000,000. It must be stated that the figures in these last paragraphs apply only to national revenue. Provincial expenditure of nearly 38,000,000 taels is not included, nor how provision for it is made, stated. This whole budget scheme seems only like a bit of arithmetical juggling on paper, and its value is not to be taken wholly on its face. What value it has is simply due to its official nature.

The revolution and its certain results, however, have rendered the materialization of any of the old Ministry's ideas in their original form very improbable. Still, one may assume that any government coming into power will have to provide a revenue, national and provincial, of close on 400,000,000 taels, on which 56,000,000 (and likely much more) for interest and amortization must be assumed to be a fixed charge. In making his estimates the writer ignores what he considers the very impolitic suggestion of the Tzu Cheng Yuan, that the army and education votes should be cut down—even if cutting down the former would be immediately possible. The new government faces empty treasuries, national and provincial; it has abolished taxes—e. g., lekin supposed to realize 40,000,000 taels a year—which it will find it hard to re-establish, and it has established by the unrest it has produced, a laxity of taxpaying and a difficulty of tax collecting which is sure to mean revenue loss. One of the first necessities of a new government will be to replenish the empty treasuries with funds, almost of necessity borrowed, to carry on till a stable, fiscal and proper currency system are established. That it will be its duty to immediately set to work to establish both goes without saying.

THE LAND TAX.

As to future prospects, one would like to begin by assuming that a new government will aim at being an honest government. Next, we may ask what the government can count upon definitely when conditions are sufficiently settled to allow of taxes being collected, and how will any deficit be made good. Let us consider upon what resources it may rely. First, there is the land tax, or, to call it more appropriately, the crown rent. The 1910 Budget estimated its receipts at 48,000,000 taels a year. Sir Robert Hart estimated that it might be made to yield 400,000,000. We must assume the latter assertion was based on very crude information, as such an estimate could hardly be expected to be reached. On the other hand, it is known that a great deal of land, from river accretions, etc., which should pay land tax, is exempted, because it has never been placed on the ancient registers that, unrevised, form the basis of the collection. Also it is known that many rich land owners pay just what they like—and always too little—being able to coerce collectors by the dread of their using political influence to the latter's injury. It is also well understood that the amounts collected in most cases exceed the figures shown in the bill or receipt. Collectors have a system of manipulating currency conversion in such a way that they really collect from those who can be made to pay at least two or three times, perhaps five or six times, as much as they represent in their account. The writer himself is a land tax payer, and he always pays twice what he gets a receipt for. What becomes of this surplus collection it is hard to say. Quite possibly calling it "squeeze" is not altogether just; in part, at least, it meets expenditure which, though legitimate, cannot be put in accounts rendered on forms centuries old.

All things considered, it seems to the writer that the land tax could, with even a crude resurvey of the land, and with an honest collectorate, be made to realize at least 100,000,000 taels—probably more.

The second great revenue item of national income is on the tax on "salt and tea." These are lumped together as producing 46,000,000 odd taels a year. The fact that the Salt Gabelle is one of the most lax and corrupt departments of the Government is well known; furthermore, as is realized, the reform of this administration will be exceptionally difficult, owing to vested interests of ancient date, based on privileges for which considerations have been paid. The writer was told recently that reforms in the Salt Administration in one province alone had produced a 200 per cent. increase in the revenue during the last year or two. Such an increase, of course, can hardly be expected everywhere, but the writer feels confident that in clean hands, even while making just and liberal allowance for buying out vested interests, the salt revenue could be increased to at least 60,000,000 taels a year.

CUSTOMS ESTIMATES.

The third item of revenue is customs. The budget put this down at 42,000,000 taels a year. This, presumably, includes the net proceeds of the I. M. C. (Imperial Maritime Customs), which one may roughly set down, after providing for cost of collection (and this might be reduced by the simplification of the Chinese superintendent's charges) and deducting tonnage dues (more or less trust funds) at, say, 28,000,000 taels, to which sum must be added probably 7,000,000 taels more under the head of native customs. Thus we call the total customs revenue as now collected about 35,000,000 taels net. The time is, no doubt, not far distant when China will expect from the Powers a revision of the import tariff, and their consent to the putting in force of the Mackay Treaty provision for an augmenttion of duties in return for the abolished lekin. In this, it seems, China is asking no more than justice. She may also fairly expect that foreigners will submit to a reasonable stamp system. Why should we object to China doing what we all do ourselves so long as she does it fairly and impartially? The writer is of opinion that a reasonable tariff revision, with increased import duties and, perhaps, a reduction of duty on exports, especially tea, may easily be calculated to produce through the customs—even allowing for the lost opium revenue—quite 50,000,000 taels without the least injury to trade.

The budget also has other items of income—unclassed duties, 26,000,000 taels, details of which are not furnished; lekin, 43,000,000 taels, now abolished; "Government Property," 46,000,000 taels, and other miscellaneous revenue, 45,000,000 taels more—or, say, 140,000,000 taels in all One would be inclined to assume from its name, "official property," that the income from it (46,000,000 taels) was a firm asset, though one would also like to know more about it.

The writer's advice to the Chinese Government would be to revise as soon as possible, and, if possible, reconstruct an internal revenue and excise system on a new basis. There is no doubt that in China the rich men, and especially those who get their wealth otherwise than from land, pay almost no taxes, and that all traders are fiscally more leniently treated than the agriculturist and the consumer. The consumption tax, invented in connection with the Mackay Treaty to replace the lekin, showed an attempt to find a general tax which should fall principally on the trading class. Something on similar, but improved, lines might now form the foundation on which a new kind of taxation to replace abolished charges could be framed. It should aim at being of a kind easily collected and so devised that its incidence should be made to fall on the now least burdened shoulders. One of the difficulties of Chinese duty collection is the army of small officials necessary to collect duties payable by many payers in petty sums.

This is the year (1912) in which the Mackay Treaty is liable to revision, and the revision seems to the writer desirable in every way and from all sides. The treaty is imperfect—always was—and no one understands the causes of its imperfections better than the writer, but it lays down certain sound principles which have been allowed to become dead letters. There is no reason why they should not be revivified in a better and more practical form in the hands of some broad-minded negotiators.

In estimating the present financial position of China, I have already dealt with the land tax, the customs receipts

and other sources of revenue. Another source fairly reliable, though, perhaps, not at the moment fully to be counted on, is the profits on the working of the trunk railways. It is well known that the Northern Railways have turned into the treasury as much as 10,00,000 taels a year during some years, and the Pehan line is now on a good paying basis. Whether the millions put down as interest and amortization of foreign loans do or do not include charges on the railway loans is not clear. If they do, all that the railways make over working expenses and upkeep is a clear national profit.

On the other hand, the railways for the next two or three years ought not to have much to spare. They are all run down by recent military demands on them, are insufficiently provided with rolling stock, and, in some instances, betterments, and even reconstruction, are badly needed. Such work would be the first charge on their income till complete. Still, when all is well in the railway world, the Government should be able to count on at least 10,000,000 taels profit on railway working. And now to summarize cursorily what receipts the new régime may count upon on the basis of old estimates.

We may take it that the Government will have to find for public purposes, national and provincial (including the service of loans present and, to some extent, future), say 400,000,000 taels a year. On a conservative estimate, and counting nothing on an elasticity of revenue which may be expected, the writer has assumed that the five items, land tax, salt, customs, public property and railway profits, should bring in 265,000,000 taels a year. He sees no difficulty in the possibility of 135,000,000 more being raised on the new system to be devised. What will be required of it is a sufficiency to meet those existing taxes whose abolition is proposed. If industrial development is fostered as it should be, mining royalties and such like and the increased revenue which this development will bring in the form of indirect taxes should leave the Chinese budget not only balanced, but with a surplus which will probably tend to increase as more economical collecting methods are established and metropolitan charges, such as Manchu pensions, are diminished. It will be noted that the provision for interest on future loans is also referred to. Even admitting these, it will be already inferred that, in the writer's opinion, China's financial position can without difficulty—but with judgment and honesty—be made a thoroughly sound one.

PRESENT NEEDS.

Now, we have assumed that China's finance can be put on a proper basis within a year or two, but what about present needs? Taken at what may be assumed to be their worst, the writer infers that China will want during the next two years about 800,000,000 taels, or, in round numbers, 100,000,000 pounds sterling. Admitting that she can collect in taxes during that time, say, 250,000,000 taels a year, that would leave a maximum deficit to be provided for of 300,000,000 taels, or, say, 40,000,000 pounds sterling, in two years. During the last few days the writer heard that precise figure named by a Chinese authority as the amount considered necessary. It is, of course, much more than foreigners can be expected to lend the Government, but much less than it is hoped foreigners will have an opportunity of profitably investing in China during the next decade. That China would be able to pay the interest on £40,000,000 is tolerably certain, as interest and sinking fund would probably represent £3,000,000 a year, but foreign financiers could not be expected to provide any such sum, or any sum more than is actually wanted and is certain to be judiciously expended. China has so far not produced for the public view any financiers, not even any bank governors or railway directors, who should have other people's money to pay with.

Assuming funds are wanted at the moment, could they, in whole or in part, be raised in China and from Chinese? The writer is of opinion that very little can be expected from native sources. He doubts if there is any floating surplus of money in Chinese hands seeking investment; if there is, it cannot be a large sum. A very capable foreign banker deserving of much confidence says there is some surplus, but by no means enough for the nation's requirements. A Chinese highly placed official, in whom the writer has no confidence whatever, says "there is plenty of money in China." Readers can form their own judgment from these conflicting statements, but in doing so they must remember that Chinese trade is done almost entirely on credit at high rates of daily interest; that the silver in circulation is so limited that it was necessary the other day to borrow some millions to introduce a new currency, and that experience has hitherto proved that Chinese moneyholders will not put their money for any purpose, national or other, under official control. The writer believes that there is not only not "plenty of money" in China, but, relatively speaking, very little hard cash per capita of population. He assumes, therefore, that borrowing abroad on a large scale will be a necessity, and he proposes to discuss this question both from the borrower's and the lender's point of view, with the idea of serving the best interests of both.

POSSIBLE LOAN OPERATIONS.

We may presume China will want to borrow and European financiers will be willing to lend, say, up to £20,000,000, or even more. What has already been written will, perhaps, have led the reader to believe that, properly governed, China, can pay interest and amortization on such a loan, later perhaps on more; but China will want, of course, the easiest terms possible. The writer, not being a banker, does not suggest the terms on which such a loan would be issued, or what interest will be charged. China wants to go into the open market like any other borrower and get the best terms she can from any one who is willing to lend. She does not want to be bound to borrow from this or that syndicate of any particular nationality, and she is ssupicious of all syndicates which have the appearance of being backed by foreign officers, suspecting that they will be used by the latter for their political purposes; and, above all things, she dreads and will contest to the utmost of her weakness any attempt to Egyptianize Chinese finance. China knows, just as well as the writer knows, that there are both bankers and legations who professed long ago to foresee, and now to see clearly, the advent of some financial foreign control. In taking these views China is not wrong.

That China's financial regeneration, including currency reform, cannot be properly conducted without foreign financial help, is the writer's honest belief, but that any foreign adviser can be found with knowledge to render him capable to take Chinese finance bodily in hand, he equally honestly disbelieves. No foreigner could expect, or would get the necessary authority to do so, unless China is not only Egyptianized, but Indianized. The idea is as impossible politically as the word is grammatically. What China does want, and what it is to her own interest that she shoul have, is an adequate system of national banking, a proper system of financial control, as well as a proper system of audit. These obtained, and accounts published under the supervision of foreign employees selected by herself, the actual details can be carried on by Chinese hands,

of which there are an abundance with sufficient capacity to do the work. The establishment of a control to some such extent may be very reasonably made a condition to any loans on a large scale, and China would show no more than common sense in adopting it.

CONTROL OF FINANCE.

Now, how can this financial help be provided? The writer would answer without hesitation, "Through the customs." That service is a Chinese institution, has a long standing existence and, being "in being," meets the constant Chinese objection against initiating anything new. The service contains many able men, some of whom know China well, and nearly all of whom have some knowledge of the language. Its loyalty to the Chinese interest is unimpeachable. Its international character is understood and accepted by the Powers. No one now looks on it as a purely British institution. Of course, it may be said that the service is not imediately ready to take up such work. That may be admitted; but is there any alternative arrangement—any other department which would be ready? The service has its limitations, no doubt, and its restrictions, too, and probably no one has had such a unique opportunity to learn them as the writer. To give the customs service such a standing and staff as the above suggestion would require would probably mean a certain amount of development from within, and on a somewhat extended base. A certain number of specially skilled men of various nationalities might be added to stiffen its financial expertness, for one would have to assume that it would become a service internationally, and avowedly supported in controlling and watching the interests of the many nationalities concerned, with greater reference to their financial standing as lenders than to the preponderance of their trade. The alternative seems to be a Caisse de Dette, either manned by nominees of the Great Powers to show their prestige or of little ones to appease their jealousies. To put in new chiefs and new staffs with no knowledge of China would be to invite complications with China and for China from the very first.

Just one word of politics—entirely non-critical. It seems in the best interests of China and in the general interest of the Powers that the Mackay Treaty should be taken up and revised, not by Great Britain on this occasion acting alone, but by the Powers in conclave. The increased duty provided for in Article VIII should be accorded, and the fulfilment of the articles which have been allowed to become obsolete, partly in consequence of the crudity of their form, should be asked for in a sympathetic spirit of give and take. The question of the employment of foreign capital in China which the negotiators accepted (some one might fear with tongue in cheek) should be made clearer. The political economy which has been instilled into the new revolutionary generation at Yale, Cambridge and Tokio might be expected to enable them to point out the advantages of developing their country with any money they can get. The currency question, one may assume, is already in hand. The promised mining regulations should be produced, and the difficulties which extra territoriality makes in connection with them, and which have a certain reality, should not simply be pooh-poohed, but should be met by compromises which one cannot consider impossible. The way the Anhui and Szechuan mining cases have been handled is no credit to anyone, and such standing possibilities of friction should be provided against for the future.

It is to be hoped that the new régime will be a progressive one. Already both parties give the impression of wishing to be taken as such when they get the power. Let us hope that it will be those who expect progress who will turn out the wise seers, and not those who doubt.

Trade Between the Philippines and the United States.

Trade of the United States with the Philippine Islands has more than doubled since the enactment in 1909 of the law providing for the free interchange of merchandise between those islands and the United States. The total trade with the Philippine Islands for the eight months ending February, 1912, amounted to over 30 million dollars, against less than 14 million in the corresponding months of 1909, the last year prior to the enactment of the law admitting domestic merchandise from the United States into the Philippines free of duty, and domestic products except rice, of the Philippines into the United States free of duty. The figures thus far received by the Bureau of Statistics, Department of Commerce and Labor, suggest that the total trade between the United States and the Philippine Islands during the fiscal year, which ends with the month of June, will exceed 40 million dollars, against 20½ million in the year ending June 30, 1909, the last fiscal year prior to the enactment of the law providing for free interchange of domestic products of the United States and the Philippine Islands.

The increase in exports from the United States to the Philippines since the enactment of the law above mentioned occurs in nearly all of the important articles forming that trade, but is especially marked in cotton goods, manufactures of iron and steel, and a large variety of articles, the product of the manufacturing establishments of the country. The total value of the cotton goods exported to the Philippines during the eight months ending with February, 1912, is 3 1-3 million dollars, against less than one-half million in the corresponding months of 1909, the last year prior to the enactment of the law above referred to. The value of iron and steel manufactures sent to the Philippines in the eight months ending with February, 1912, is 3½ million dollars, against 1½ million in the corresponding months of 1909; of machinery alone the total for the eight months ending with February, 1912, being considerably more than one million dollars, against less than one-half million in the corresponding months of 1909. Other manufactures of iron and steel show a marked increase, including iron sheets and plates, bars or rods of steel, structural iron and steel, pipes and fittings; and under the head of machinery, sewing machines, mining machinery and engines. In cotton goods the increase is especially marked; in cloths, of which the export to the Philippines in the eight months ending with February, 1912, were 45 2-3 million yards, were in the same month of 1909 less than 7 million yards. In cars and carriages the exports in the eight months ending with February, 1912, amounted to more than one-half million dollars, against 90 thousand in the same months of 1909; breadstuffs, more than 1 million dollars, against 660 thousand in the corresponding months of 1909; fish, over 400 thousand dollars, in 1912, against 70 thousand in the eight months ending with Febrauary, 1909; india rubber manufactures, 227 thousand, against 77 thousand in the same months of 1909; leather and manufactures thereof, 553 thousand dollars, against 297 thousand in the same months of 1909; mineral oils, nearly 1 million dollars, against a little over one-half million in the same months of 1909.

On the import side the principal increase in merchandise occurred in sugar and tobacco, the total value of sugar coming from the Philippine Islands in the eight months ending with February, 1912, being 8 1-3 million dollars, against 1½ million in the corresponding months of 1909; cigars, cigarettes, cheroots, ¾ million dollars in the eight months ending with February, 1912, against between 2 and 3 thousand dollars in the corresponding months of 1909; copra, 838 thousand dollars in the eight months ending with February, 1912, against 200 thousand in the same months of 1909; and hats, bonnets and hoods of straw, etc., 238 thousand dollars, against 18 thousand in the same months of 1909.

THE WORK OF THE INTERNATIONAL OPIUM CONFERENCE AT THE HAGUE.

(By Sir William J. Collins)

"The High Contracting Powers, desirous of taking another step in the direction marked out by the International Commission at Shanghai in 1909, determined to prosecute the progressive suppression of the abuse of opium, morphine, cocaine, and of drugs prepared or derived from them which are liable to similar abuses, having regard to the necessity and mutual advantage of an international understanding, and convinced that they will obtain in this humanitarian effort the unanimous support of all interested nations, have decided to conclude a convention with this end in view." These weighty and well-chosen words of high purpose and endeavor form the preamble to the International Opium Convention, which was duly signed by the plenipotentiaries of the twelve nationalities represented at The Hague conference on January 23 of this year.

I had been unable to take part in the Shanghai Commission of 1909, but on November 15 last I received from the Foreign Office and accepted an invitation to be one of the British delegates at the international conference which was then about to assemble at The Hague. The names of the official delegates, representing the Colonial, Indian and Foreign Offices, respectively, had been previously announced; they were Sir Cecil Clementi Smith, Sir William S. Meyer and W. G. Max Müller.

I had never taken part, in the House of Commons or elsewhere, in any public debate on the opium question, and was to that extent uncommitted, although I had both medically and politically given attentive consideration to the problem.

I well remember the important debate in the Commons which took place in 1906, from which date it may be said a more vigorous policy in regard to the opium traffic took shape. The story of the opium trade in the Far East is a long and not too creditable one. It is unnecessary to recapitulate it here; it is with regard to recent developments only that I propose to deal in this article.

At the close of the debate on May 30, 1906, on the motion of Theodore Taylor, the House of Commons with unanimity reaffirmed its conviction "that the Indo-Chinese opium trade is morally indefensible, and requests his Majesty's Government to take such steps as may be necessary for bringing it to a speedy close."

Lord Morley, then in the Commons and Secretary of State for India, in his memorable speech set off the "philanthropists," on the one hand, against "the official-minded" on the other, in their attitude toward this question. He admitted that the Royal Commission appointed by Mr. Gladstone in 1894 to investigate the whole problem had "somehow or other failed to satisfy public opinion in this country, and to ease the consciences of those who had taken up the matter." The reason for this dissatisfaction was not, according to Lord Morley, far to seek; the commission quoted doctors as to opium being no worse than champagne, but that was not the experience of nations who knew it at close quarters. He cited, as an example, the action of the United States in the Philippines, where a commission "did not take the medical evidence as conclusive, but examined into the social effects of opium," and "recognized the use of opium as an evil for which no financial gain could compensate, and which the citizens of the United States could not even passively encourage." Lord Morley ejaculated the question, "What did China want?" and when the ever-vigilant Mr. Taylor replied, "Freedom from opium," he at once retorted that "he hoped it was so; if it were so, the thing was done." A new policy was then and there foreshadowed by the Secretary of State in these words: "If China wanted seriously and in good faith to restrict the consumption of this drug, the British Government would not close the door. His Majesty's Government would say they would agree to any plan for the restriction of the consumption of opium brought forward in good faith, even though it might cost us some sacrifice."

In September of the same year (1906) a decree was issued by the Chinese Government, ordering measures to be framed with a view to the prohibition of the production and consumption of opium throughout the Empire, and directing that all evils arising from foreign and native opium were to be eradicated within ten years.

By an agreement entered into with China by the British Government as from January 1, 1908, a reduction was to be progressively effected in the enormous volume of opium annually entering China from India. In the event of the Chinese Government duly carrying out their arrangements, in regard to the reduction of the native supply in the three years 1908 to 1910, a similar reduction was to continue until 1917, when the Indo-Chinese traffic would cease.

Meanwhile, the experience gained by the United States Government in the Philippines had led them to propose an international inquiry into the opium traffic in the Far East, with a view to ascertain "whether the consequences of the opium trade and habit were not such that civilized powers should do what they could to put a stop to them."

The British Government, in agreeing to participate in the proposed International Commission at Shanghai, urged the extension of the inquiry so as to include the extent of cultivation of the poppy in China, explaining that the "aim and object of His Majesty's Government is to help the Chinese not merely to get rid of the import, but also of the production and consumption of opium in China itself."

The commission sat at Shanghai from February 1 to 26, 1909, and included representatives from the following thirteen powers, viz., Austria, China, France, Great Britain, Germany, Italy, Japan, Netherlands, Persia, Portugal, Russia, Siam and the United States, and adopted nine resolutions, which were as follows:

1. That the International Opium Commission recognizes the unswerving sincerity of the Government of China in their efforts to eradicate the production and consumption of opium throughout the Empire; the increasing body of public opinion among their own subjects by which these efforts are being supported; and the real, though unequal, progress already made in a task which is one of the greatest magnitude.

2. That in view of the action taken by the Government of China in suppressing the practice of opium smoking, and by other governments to the same end, the International Opium Commission recommends that each delegation concerned move its own Government to take measures for the gradual suppression of the practice of opium smoking in its own territories and possessions with due regard to the varying circumstances of each country concerned.

3. The International Opium Commission finds that the use of opium in any form otherwise than for medical purposes is held by almost every participating country to be a matter for prohibition or for careful regulation; and that each country in the administration of its system of regulation purports to be aiming as opportunity offers at progressively increasing stringency. In recording these conclusions, the International Opium Commission recognizes the wide variations between the conditions prevailing in the different countries, but would urge on the attention of the governments concerned the desirability of a re-examination of their systems of regulation in the light of the experience of other countries dealing with the same problem.

4. That the International Opium Commission finds that each Government represented has strict laws which are aimed directly or indirectly to prevent the smuggling of opium, its alkaloids, derivatives and preparations as to their respective territories; in the judgment of the commission it is also the duty of all countries to adopt reasonable measures to prevent at ports of departure the shipment of opium, its alkaloids, derivatives and preparations to any country which prohibits the entry of any opium, its alkaloids, derivatives and preparations.

5. The International Opium Commission finds that the unrestricted manufacture, sale and distribution of morphine already constitute a grave danger, and that the morphine habit shows signs of spreading; the International Opium Commission, therefore, desires to urge strongly on all governments that it is highly important that drastic measures should be taken by each Government in its own territories and possessions to control the manufacture, sale and distribution of this drug, and also of such other derivatives of opium as may appear on scientific inquiry to be liable to similar abuse and productive of like ill effects.

6. That as the International Opium Commission is not constituted in such a manner as to permit the investigation from a scientific point of view of anti-opium remedies and the properties and effects of opium and its products, but deem such investigation to be of the highest importance, the International Opium Commission desires that each delegation shall recommend this branch of the subject to its own Government for such action as that Government may think necessary.

7. That the International Opium Commission strongly urges all governments possessing concessions or settlements in China, which have not yet taken effective action toward the closing of opium divans in the said concessions and settlements, to take steps to that end, as soon as they may deem it possible, on the lines already adopted by several governments.

8. That the International Opium Commission recommends strongly that each delegation move its Government to enter into negotiations with China with a view to effective measures being taken in the various foreign concessions and settlements in China for the prohibition of the trade and manufacture of such anti-opium remedies as contain opium or its derivatives.

9. That the International Opium Commission recommends that each delegation move its Government to apply its pharmacy laws to its subjects in the consular districts, concessions and settlements in China.

These resolutions, as explained in the covering observations by Sir C. Clementi Smith, were mainly the outcome of proposals formulated by the American and British delegations, respectively, and agreed upon after informal conference; indeed, their phraseology betrays the composite nature of their authorship.

An international commission, as such, can of course result only in resolutions which represent the measure of international agreement, but have no binding form, unless and until they are incorporated in an international convention duly ratified. In order to formulate such convention an international conference would be required.

One may here pause in order to emphasize the outstanding, and in some respects novel, features of the foregoing resolutions. These were:

(1) The emphatic recognition of what had previously been doubted in some quarters, namely, the sincerity of the Chinese Government in stopping the production and consumption of opium.

(2) The need for international co-operation to prevent illicit traffic in the drugs in question, especially by way of control at the source.

(3) The grave importance of controlling the manufacture, sale and distribution of morphine as well as of opium.

(4) The recognition that other drugs liable to similar abuse required scientific investigation.

The three latter considerations should have sufficed to show that the problem was rapidly passing out of the limitations of the "Far East," however widely the limits of that rather indefinite "geographical expression" might be drawn, and was becoming a question of world-wide importance, alike on economic and on humanitarian grounds. Had this generalization been kept steadily in view at an earlier stage the task of the recent conference might, perhaps, have been simplified.

The United States Government in September, 1909, had come to recognize that "a serious opium evil obtained in the United States itself," and, having already embarked on legislation on the subject, urged the early summoning of an international conference "to conventionalize the resolutions adopted at Shanghai, so that they may be given international effect, and submitted a tentative program to the Powers which had been represented at the Shanghai Commission.

The Netherlands Government courteously agreed to the conference meeting at The Hague. The British Government, while regarding the step as somewhat premature, especially in view of the new agreement intered into with China to restrict and terminate the Indo-Chinese traffic, nevertheless, on the understanding that the conference should deal with the growing evil of the illicit use of morphine and cocaine, and exclude certain reserved questions, decided, like the other invited Powers, to send plenipotentiaries to the conference.

Between December 1 and January 23 twenty-six full sessions of the conference took place. A program committee, over which M. Cremer (the first Dutch delegate) presided, sketched out the heads of discussion; a technical commission, of which I was chairman, framed definitions of raw, prepared and medicinal opium, etc., etc., while a redaction committee, first presided over by M. Guesde, afterward by M. Brenier (both French delegates), and of which M. Saviniski (Russia), M. Delbrück (Germany), M. Van Deventer (Holland), and myself were members, was appointed to put the resolutions passed by the conference into the form and frame of a convention. The official language of the conference was French. The public were not admitted to the sittings, but deputations from the British and Dutch anti-opium societies attended, by invitation, one of our sessions, and were heard at length.

The terms of the convention, I have been informed by the Foreign Office, are no longer confidential, so I am at liberty to give a general account of them. The convention consists of twenty-five articles, divided into six chapters. The first three chapters deal with the restrictions which are to be placed upon the production, sale, distribution, import and export of raw opium, prepared opium (for smoking) and medicinal opium, together with morphine, cocaine and heroine. The fourth chapter deals with the measures to be taken by the Powers having treaties with China, and in concert with the Chinese Government (a) to prevent illicit traffic in opium, morphine, cocaine, etc., in their colonies or leased territories, and in China, by vigilance against smuggling through the post or otherwise, and by stricter pharmacy laws, (b) to effect the suppression of smoking divans, etc., etc. The fifth chapter binds the Powers to examine into the possibility of legislating against the illegal possession of opium, morphine or cocaine, and their respective salts, and to communicate to one another all laws and regulations concerning the subject matter of the convention, as well as statistics, in as much detail and as promptly as possible, of the traffic in these drugs.

The sixth chapter deals with the signature, ratification and coming into force of the convention, as well as of the laws and regulations for which it provides.

In regard to "raw opium" the contracting Powers engage to enact laws to control its production and distribution, to limit the places to and from which import and export will be permitted, to forbid its export to places where its entry is prohibited, and to control such export to places regulating its import. Packages weighing over five kilogrammes are to bear distinctive marks; and only duly authorized persons will be permitted to engage in the traffic.

As to opium "prepared" for smoking, the contracting Powers engage gradually and effectively to suppress its production, use or sale, and either at once to prohibit its export and import or, failing prohibition, forthwith to regulate such traffic to specified places, to specially authorized persons and specially marked consignments, but so as in no case to permit its export to countries which prohibit its import.

It is in connection with the limitation to be placed upon the manufacture, sale and use of morphine, cocaine and other similar drugs, as well as of medicinal opium, and preparations made from these, that the influence of the British delegation is especially apparent. Thus Article IX (which embodies a resolution I submitted on their behalf) recites that "The contracting Powers will enact pharmacy laws and regulations, so as to limit the manufacture, sale and use of morphine, cocaine, and their respective salts, to medical and legitimate uses only, unless such laws already exist. They will co-operate among themselves in order to prevent the use of these drugs for any other purpose." Various measures are then set out whereby the contracting Powers will use their best endeavors to control the manufacture, import, sale, distribution and export of these aforenamed drugs. Moreover, by Article XIV (which reproduces a resolution I submitted as chairman of the technical commission) it is further provided that "the contracting Powers will apply the laws and regulations for the manufacture, import, sale or export of morphine, cocaine, and their respective salts, to (a) medicinal opium; (b) to all preparations (officinal and non-officinal, including so-called anti-opium remedies) containing more than 0.2 per cent. of morphine, or more than 0.1 per cent. of cocaine; (c) to heroine, its salts and preparations, containing more than 0.1 per cent. of heroine; (d) to every new derivative of morphine, cocaine, or their respective salts or to any other alkaloid of opium which, as the result of scientific research, shall be generally recognized as giving rise to analogous abuse or as producing like ill-effects."

These articles, when put into operation, will have far-reaching results. The "official-minded" distinction, sometimes attempted, between the evils of opium smoking on the one hand and the benefits of opium eating on the other, or between the relatively harmless effects of opium on the one hand and the perniciousness of morphine and cocaine on the other, can no longer be sustained. That these drugs, whose use leads to repetition and at last to habituation, when so used give rise to volitional palsy, moral degradation, vice and crime, is a fact now authoritatively and internationally recognized. It has further been agreed that the consequences of the trade in, and the illicit use of, the drugs in question is such that civilized Powers should do what they can to put a stop to so flagrant an abuse.

A word of caution is, however, necessary. The value of opium, morphine and cocaine, medicinally used, is great and indisputable, and I can scarcely believe that any medical man with a reputation to lose would in his zeal to reform abuse willingly abstain altogether from their employment.

Then, again, in countries as India, in which thousands of the population never come into contact with a medical man, I have yet to learn that these drugs, if employed in cases where they are medicinally beneficial, lose their efficacy because they are not prescribed or administered by a registered medical practitioner.

These considerations must be borne in mind in any sound and prudent policy, lest in "our haste to slay" the evils which anti-opiumists so justly condemn our zeal outrun our discretion, and we refuse the use while we renounce the abuse.

Our honorary president, his Excellency M. Van Swinderen, the Foreign Minister for the Netherlands, happily put the problem before the conference at its first sitting when he invited us to consider "one of the complications of Providence, in which God had created a plant containing elements which were a blessing to mankind, but which man by its misuse might turn into a scourge fraught alike with moral and intellectual ruin."

Nevertheless we can have too much of a good thing, and no fact was more self-evident in the course of our deliberations than that there is a huge excess of production of these drugs over and above any legitimate consumption of them, and grotesquely out of proportion to any conceivable medical use.

Statistics were adduced showing the import annually of many thousands of ounces of morphine into China. Our own figures show that during the first nine months of 1911 more than 140,000 ounces of morphine were exported from Great Britain. Large imports of morphine annually enter India, in addition to considerable quantities which are manufactured there, while there, as elsewhere, much smuggling of illicit morphine and cocaine undoubtedly goes on.

It is not easy to arrive at any standard figure as to what may be regarded as the amount of morphine or opium required for medical purposes. As a small contribution to the solution of this question I obtained and submitted to the conference the following figures: At one of the largest of the London hospitals I ascertained from the dispenser the amount of opium and morphine respectively which were consumed in a recent year in the treatment of some 8,000 in-patients and 130,000 out-patients. The figures were 12 pounds 11 ounces of opium and 4¾ ounces of morphine. It is interesting to learn that twenty years ago the figures at the same hospital were 22¾ pounds of opium and 1 pound 1 ounce of morphine.

If and when the articles which I have quoted from the convention are put in force, there will be need for introducing much greater stringency in the matter of pharmacy laws. The facility with which a prescription, once given, can be repeatedly made up, and the ease with which narcotic drugs get into illicit use are notorious; even in some Continental countries which pride themselves on the strictness of their pharmacy regulations, the discussions at the conference demonstrated that the vaunted legislation was sometimes either inoperative or easily evaded.

There was a disposition in some quarters to regard the morphinist and the cocainist merely as invalids and objects of pity, but no one who has had experience at first hand of these "addicts," or who has read the accounts of them as given in Allbutt's *System of Medicine*, or Crothers' monograph on the subject, can have failed to be impressed with the fact that many of them are social pests of the most dangerous kind. Bankrupt of moral sense and will power, they are lying and deceitful, prodigal of time, plausible to a degree, backbiting and contentious, prone to vice and apt for crime.

Great Britain, by painful familiarity with the opium question in China and India, has at length learned to put humanitarian endeavor above trade interest, and other nations with Asiatic associations have learned, or are learning, the same lesson. If to some Continental Powers the problem still presents itself as one of economic interest alone, such complacency cannot long survive the discussions and disclosures made during the conference at the Hague.

Two vœux were passed by the conference and embodied in the protocole de clôture, one urging upon the Universal Postal Union the stricter regulation of transmission by post of raw opium and morphine, as well as the prohibition of such transmission of prepared opium; the other recommending the further consideration of the abuse of Indian hemp drugs with a view to future legislation.

A good deal of the discussion which took place on the reassembly of the conference after Christmas related to the difficult and delicate question of securing the co-operation of other nationalities not represented at the Hague, either because they had not been invited or because the invitation had not been accepted. Fears were entertained that if certain Powers adopted the stringent measures provided for in the convention while others declined to do so, either the effect might be almost nugatory or the results might work out unfairly. On the other hand, the hopelessness of waiting for the concurrence of each and all of some thirty-five Powers, which had not participated in the conference, before our work could fructify, was emphasized by the British plenipotentiaries. As I repeatedly pointed out we were concerned, not for any pedantic insistence upon form, but on securing as speedily as possible solid, practical results. The conference, and especially the comité de rédaction, were deeply indebted to the eminent jurist, M. Asser, so recently honored by the award of the Nobel prize, for his assistance at this stage of our deliberations.

No account of the Opium Conference would be complete without some brief reference to the interesting personnel of its membership. In Bishop Brent, of the Philippines, we had a chairman of great tact and charms, who, while he disclaimed facility in the language of diplomacy, yet won the confidence of all by his courtesy and impartiality. In the difficult task of the comité de rédaction M. Guesde, and afterward M. Brenier, both delegates from France, rendered invaluable assistance; the latter being equally ready when drafting an elaborate report or indicting an ode to our hostess of "Duin-en Kruidberg," the wife of the first Dutch delegate, M. Cremer. As their technical colleague they had Major Doctor Gaide, of the Indo-Chinese Service. Germany was ably represented by his Excellency M. Félix de Müller, Minister at the Hague; M. Delbrück, the brother of the well known Professor Delbrück; Dr. Kerp, of the Health Office of Berlin, and Drs. Grunenweld and Rössler, who had had wide experience in the Far East. In addition to Bishop Brent, the United States sent Dr. Hamilton Wright, who has for years laboriously identified himself with the opium question, as

well as Mr. Finger, of the Council of Pharmacy in California. China, taking her place among the nations of the world, had as her plenipotentiary the able and amiable M. Liang Ch'eng, who, though he retains the dress and coiffure of his country, is advanced alike in policy and in advocacy. He was well supported by the energetic and eloquent M. T'ang Kwo-an, of the Wai-wu-pu, and the youthful Dr. Wu-lien-Teh, a graduate of Cambridge, who so courageously and successfully fought the plague in Manchuria. In addition to M. Cremer, the first delegate for the Netherlands, renowned for his hospitality, the country of our genial hosts was represented by M. Van Deventer, a member of the First Chamber, who rendered valuable assistance in drafting the convention, as well as by Dr. Scheurer, member of the Second Chamber; M. de Jongh and M. Van Wettum, all of whom had had intimate knowledge of the Netherlands Indies. Japan was ably voiced by his Excellency M. Aimaro Sato, whose rigorously logical addresses delighted the conference, while in technical matters he was well supported by Dr. Takaki from Formosa, and Dr. Nishizaki, of the Yokohama Laboratory. Russia, in the person of the accomplished diplomatist, his Excellency M. Savinski, Master of Ceremonies to the Czar, rendered valuable aid in deciding delicate details of an international character, and had as his technical colleague Dr. Chapirow, of the Russian Army. The Portuguese Republic secured consideration for its Eastern possessions by the vigilance of his Excellency M. Bartholomeu Ferreira, the Minister at the Hague, supported by M. Portier and Captain Sanches de Miranda. The youngest member of the conference was Mirza Mahmoud Khan, who represented Persian interests with vigor and vivacity; while Siam, through the presence of his Excellency M. Varadhara and Mr. W. J. Archer, showed how progressive that Kingdom had been in respect of opium and morphine legislation. Dr. Santo Liquido, who represented Italy, owing to duties in Paris connected with the Sanitary Conference sitting there, was able to attend only a few of our meetings. Sir Cecil Clementi Smith, by his mature experience in the service of the Crown and intimate knowledge of the Far East, during the earlier sittings of the conference led the British delegation with wisdom and distinction. His health, unfortunately, prevented his return to take part in the more contentious deliberations which followed the Christmas adjournment. Sir William Meyer, with his illustrious record of Indian service, was able to speak with authority in regard to the opium question in our great dependency, while Mr. Max Müller, thanks to his diplomatic knowledge and intimate study of the Chinese problem, kept us in close touch with the Foreign Office and other departments of State interested in the question. The Hon. R. Lindsay rendered valuable assistance as secretary to the delegation. It is unnecessary to add that under the secretary general, Dr. Beaufort, and his courteous staff the official work of the conference was very efficiently performed, while the Netherlands Government and authorities at the Hague did everything to facilitate our labors and render them agreeable. A regretable indisposition prevented Her Majesty Queen Wilhelmina from receiving the delegates, as had been intended, but her Government, through the ever alert and tactful Minister of Foreign Affairs, M. Van Swinderen, did all in their power, once again, to further international action in the cause of humanity and progress.—*Contemporary Review.*

FAR EASTERN SHIPPING SITUATION

(From Consul General George E. Anderson, Hongkong, February 14, 1912.)

The developments in the shipping world of the Far East during 1911 were altogether in the direction of improvement. Freight rates were raised—along the coast during the year, and with the United States, Europe and the rest of the world at the season's close—but service was increased and improved as well, and in spite of the 10 per cent. advance in freights shippers seem to be better satisfied with the situation.

The agitation for improved pay and bettered conditions for officers and men employed in the shipping of the Far East was expected to increase the cost of freights, and the low margin of profit for owners under the best conditions also demanded consideration. That the advance has been no greater under the circumstances is taken as a careful balancing of interests, which indicates permanence and is satisfactory.

The improved services to be noted consist not only of more regular steamship lines, but in the greater size, speed and general effectiveness of the vessels employed. During the past year, or at the beginning of the present year, new services have been established between Hongkong and various portions of the Far East on the one hand, and the United States, Denmark and other north European countries, Austria and other south European countries, India, the East Indies, Australia, the South Seas, and South Africa.

This extension has naturally affected services to and from the United States, in that it has afforded increased distributing power for Hongkong in its relation to American trade. Nearly all regular passenger lines have augmented their facilities by putting on newer and larger vessels. Along the coast conditions have so improved that some of the coasting companies have paid dividends for the first time in several years.

The shipping situation in the Far East continues to be dominated by the Japanese. The policy of reorganization of subsidies, of consolidating and improving services, and at the same time of extending services in new lines has been followed successfully. Details of the amounts to be paid to the subsidized lines just issued by the Department for Communications at Tokyo have received the interested scrutiny of marine circles of the Far East as a dominating factor in the situation. The total amount in round figures is $5,451,400, a decrease from the previous fiscal year of $19,100.

The lines receiving subsidies and the amounts thereof are as follows, at exchange of 2 yen to the dollar: European, $1,598,730; North American, $2,223,642; South American, $364,958; Australian, $212,891; Southern Pacific, $37,500; Yangtze, etc., $380,000; Kobe-Dairen, $50,000; Yokohama-Shanghai, $137,500; Kobe-North China, $65,000; Vladivostok, $12,500; Hondo-Hokkaido, $25,000; China-Chosen (Korea), $6,250; Tsuruga-Vladivostok, $157,500; Special subdsidies, $25,000. The list given does not include subsidies for new lines. It is significant that the increases are for improving foreign lines already established.

The chief improvements contemplated by existing lines are those of the Nippon Yusen Kaisha. This company has under construction five new ships for the lines to Europe and to the United States, and it is now announced that two of these vessels are to be put into service in the course of the next few weeks between Hongkong and Seattle. The new steamers are the Yokohama Maru, building at Nagasaki, and the Shidzouka Maru, under construction at Kobe. The Yokohama Maru will replace the Tamba Maru, sailing from Japan about June 1. The Shidzouka Maru will replace the Inaba Maru later in the summer. It is understood that the Tamba Maru and the Inaba Maru will be employed on one of the Indian routes.

The new vessels have a gross tonnage of 6,200, a length of 400 feet, breadth molded of 50 feet, and depth molded of 30 feet. They have been constructed to carry twenty-eight saloon passenger and 350 in the steerage. The propelling machinery consists of two sets of triple expansion engines supplied by steam from double ended marine boilers, and their contract speed is to be a mean 15 knots.

It is also announced that the company has ordered from the Mitsu Bishi shipbuilding yard a steamer of 15,000 tons to be placed on the European run, which vessel is expected to be completed in August, 1913, and one of 6,500 tons, to be allotted to the American line and to be completed in June of next year. From the Kawasaki shipbuilding yard has been ordered a steamer of 15,000 tons for the European line to be completed in October, 1913, one of 6,500 tons for the American line to be completed in November, 1913, and one of 3,500 tons for the Shanghai line to be completed in the same month. The company has also ordered from a British shipbuilding yard a 3,500 ton steamer for the Shanghai run, to be completed in May, 1913.

The construction of so many vessels is understood to have regard for the extension of the company's business to the east coast of North and South America through the Panama Canal. It is the announced intention to run steamers to New York and Brazil, and the company is now making preparations for a Yokohama-New York service for which it is considered that eleven steamers of 8,000 to 10,000 tons will be needed. In the meanwhile its new vessels and improved equipment will afford a fortnightly schedule from Hongkong to Seattle. It has not yet been decided whether Manila will be a regular port of call for steamers of the line.

The extension of the service of Japanese vessels in other directions continues. During the past year the Nippon Yusen Kaisha established a service between Japan and Calcutta by way of Hongkong, improvements in which are promised. The Japanese Government has decided to start a new monthly service from Kobe to Hongkong, Singapore, Saigon, Java and Sumatra, using three steamers, and has also arranged for a subsidized line from Japan to the South Seas by way of Hongkong commencing with the fiscal year in April. For this latter service provision is made for a subsidy of $37,500 for the fiscal year 1912-13, $75,000 annually for the following two years, and $37,500 for the fourth year. The service is to consist of two steamers, each over 20,000 tons gross, and with not less than 10 knots speed, not less than twelve voyages a year, with the ports of call and the freight and passenger rates to be controlled by the Government. The company has been organized in Osaka, and is known as the Nanyo Kisen Kaisha, or South Sea Steamship Company.

There has been a notable advancement in the connection of Hongkong with other parts of the world through steamers other than Japanese. The Austrian Lloyd has just inaugurated a fast monthly schedule between Shanghai and Trieste by way of Hongkong, Singapore, Colombo, and thence to Suez, in addition to the service it has had by way of Bombay. The vessels are of about 8,000 tons burden, are finely equipped and modern in every way, and make the trip from Hongkong to Trieste in thirty days, with railway connections taking passengers from Trieste to London in thirty-nine hours. The Rickmer's Line, including an equipment of fifteen steamers, with headquarters at Bremerhaven, is extending its service to Japan and North China by way of Hongkong. The British India Steamship Company has established a new service of modern passenger boats between Rangoon and Japan by way of Hongkong. The Indra Line, trading between New York and the Far East, is putting on new steamers like the Indraghiri, recently launched at Glasgow, which will carry about 9,000 tons dead weight and is provided with refrigerating installation for the transport of provisions. These steamers will also carry a limited number of passengers.

Connections with the United States by way of the Pacific are improving in the character of ships and general service given. In addition to the better service of finer ships of the Nippon Yusen Kaisha above noted and the new ship of the Toyo Kisen Kaisha announcement is made that the Pacific Mail Steamship Company, the American line, is constructing four new boats, not only to increase its facilities on the Pacific, but also to inaugurate a fine new passenger and freight service between New York and San Francisco by way of the Panama Canal and in connection with its line to the Far East with Hongkong as the terminus. It is announced that these ships will be 680 feet long and 75 feet beam, will carry 300 first cabin and 200 second class and 300 third class passengers, and will be able to make 17 knots per hour and to handle 17,000 tons of freight. The Canadian Pacific Line also is completing two new 15,000 ton ships which will be put into use a year hence, after which time the company will maintain a fortnightly schedule between Vancouver and Hongkong by way of Japanese and Chinese ports. The present mail contract of the company, which will be revised when the new boats are put into commission, provides for a subsidy or mail subvention of about $73,000 per year for a monthly service.

It is a notable fact that the new steamers of the Canadian Pacific, the Pacific Mail and some other lines are provided with oil burners. For some time past the Toyo Kisen Kaisha has been experimenting with the Shinyo Maru as to the comparative cost and other merits of oil fuel and coal. Similar experiments on the part of the Canadian Pacific Company in its coast service have resulted in reports favoring oil.

One feature of recent shipping changes in Hongkong is the increasing number of vessels for both Europe and the Pacific Coast which call at Manila. Most of the mail steamers for Europe now call there on their way to Europe, and the steamers of the Toyo Kisen Kaisha for the Pacific Coast and other lines, such as the Bank Line, now make Manila regularly.

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It seems to be a legitimate inference that the process of reorganizing the Government of China is proceeding in a fairly satisfactory manner, since the stock of alarmist rumors is running visibly low. Nothing more serious appears in the news of the day than a report from Tientsin that the reactionary movement is gaining strength in the vicinity of Wu-chang, where General Li Yuen-Heng, vice president of the Chinese Republic, has his headquarters. Even the further statement that the Republican officials in Wu-chang were growing very apprehensive and preparing for flight does not make this dispatch sound any more convincing. Meanwhile, a somewhat unsympathetic world continues to regard the prospect of the new Republic with a good deal of skepticism. The annual report of the China Association, and the chairman's speech at the annual dinner, which we have reproduced elsewhere, may be taken as an accurate reflex of how the best informed Englishmen regard the new order of things in China. In putting the question, "When are things in China to settle down and allow trade to resume its normal course?" Mr. Jamieson declared that the first necessity is to have a government that will govern; that is to say, that will put down brigandage, ruffianism, burning and plunder with a strong hand and protect the peaceful citizen in the pursuit of his industry. But that, he insisted is precisely what we have got, and, with the utmost desire to be optimistic, he confessed that the outlook did not seem to him very cheerful. As to the question of the reorganization of the Government, Mr. Jamieson seemed to think that it was still doubtful whether China should remain an organic whole or become a loose agglomeration of semi-independent republics. He could conceive of the old organization being continued with the President and a Cabinet in lieu of the Emperor and the Grand Council, but he doubts whether that would suit the revolutionary party. There is the further question of what system will suit provinces such as Szechuan and Hupeh, which took up arms in defense of provincial rights and came out on top. Hence these questions are of obviously vital interest: "Are they going to surrender their new found freedom to a new central government? Are the taxes to be Imperial taxes and levied by Imperial officers, or will the provinces insist on keeping hold of their own taxation?"

The chairman of the China Association rightly regards the meeting of the new National Assembly as an event of first class importance, and he thinks that it is not too much to say that on its composition and behavior the whole future of China depends. The program outlined for the

election of this convention by the Imperial Cabinet was a fairly well considered document. It declared that as the object of the convention was to reach a decision through the expression of the general opinion of the people, a representative must be elected from each prefecture, sub-prefecture, department and district and by each of the tribes of Outer and Inner Mongolia. It was proposed that every male subject of Chinese nationality over twenty-five years of age who should have resided for one year in the election district should be entitled to vote, with the following exceptions: Those who are deprived of their public rights; those who are under criminal sentence; those who are forbidden to hold property; those who have been declared bankrupt, as well as military men in actual service, officials who are holding offices, Government contractors and monks, priests and clergy of all religious sects except those of Mongolia and Tibet. Just what preparations the Republican Government has made to secure for the National Assembly, which they are about to convene, a thoroughly representative character, does not appear. But evidently much will depend on the readiness of the provinces to send their best men, or rather on the readiness of men of experience, education and sound judgment to make the sacrifice involved in serving their country at the most critical juncture of its history.

ALMOST alone among those who are able to speak with authority regarding matters Chinese, the Peking correspondent of the London *Times* has a robust faith in the future. Referring to the conditions under which Yuan Shih-kai delivered his opening address to the Advisory Council at Peking, Dr. Morrison writes as follows: "No one seeing these earnest, well educated men aspiring to raise their country to the rank of highly developed Western nations, and contrasting them with the antiquated reactionaries who in the past misgoverned the country, could share the pessimism of those critics in Europe who condemn the Republic as hopeless within three months of its marvelous inauguration." The pessimists reply by pointing to the apparently irreconcilable antagnoism between the Northern and Southern troops, and ask: "Is it surprising, under these conditions, to find stress laid by men entitled to speak with authority on the danger of disintegration from interprovincial jealousies and provincial individualism which were measurably controlled by the centripetal influence of an Emperor?"

ON one point there seems to be general agreement, and that is, as the report of the China Association puts it, that China must have more money if she is to be saved from bankruptcy and anarchy. Her financial requirements for the next few years are conservatively placed at $300,000,000, which would bring her foreign indebtedness up to $1,000,000,000. The annual charge on this burden, interest and amortization combined, would not be far short of $65,000,000 to $70,000,000, or, say, taels 100,000,000. But even the official budget of 1911 puts the total annual revenue of China at only taels 296,000,000, including large sums having a very doubtful claim to rank as revenue. The four main taxes, as the report of the China Association points out, namely, land, salt, customs and likin, amounted in all to taels 206,000,000, so that about half the revenue proper would have to go in payment of the foreign debt. Under such circumstances, the deficit would be between taels 80,000,000 and taels 90,000,000, with no immediate prospect of making any large addition to the income from taxation. On the present year, owing to the waste and cost of the revolution, there has already accrued a deficit of taels 215,000,000, so that the financial problem is clearly a pressing one. Just what progress has been made in reaching a final understanding as to the conditions under which China is to be furnished with the money she so urgently needs it is impossible to say. One hitch after another has been reported in the progress of the negotiations and in the adjustment of the relations among the six Powers directly concerned in the financing of the Chinese Republic. But the fact that no news of any kind has been given out for the last week or so must be considered as a promising indication of restored concord between Russia and Japan on the one side and the four-power group on the other.

IN view of the probability that the Treaty Powers will soon be approached to sanction an increase of Chinese customs duties from 5 to 12½ per cent., in return for the abolition of likin, the question recurs as to the probable effect of the increased tariff on foreign trade. The new Government has shown an apparently earnest desire to sweep away the whole system of taxation on goods in transit, and there can hardly be a question that there would be an enormous enlargement of the area within which foreign goods might find a market should the likin barriers disappear. The burden of the impost collected at every stage of the progress of imported merchandise into the interior of China is undoubtedly very much greater than would be an addition of 7½ per cent. to the entrance duty. This is true, notwithstanding the fact that the revenue from likin is put down at very little over half that collected from customs, the cost of collecting the dues levied in transit being many times the amount of their net yield. The chairman of the China Association is under the impression that the proposed increase of the tariff on imports would probably not yield more than the present taels 50,000,000 to taels 55,000,000. Assuming the expected expansion of trade due to the abolition of likin, it is difficult to see the course of reasoning which leads Mr. Jamieson to this conclusion. But it will be admitted that on the face of things Chinese finances are in a decidedly embarrassed position, and that it will require careful nursing to tide her over the next four or five years. The three requirements of a united and stable government, of the strictest economy and of radical reform in all branches of the administration, are concededly indispensable, and the attitude of the outside observer toward the future of China must depend entirely on the extent of his confidence in the ability of the Chinese to reform methods of government which have had the sanction of long antecedent generations. It may seem like expecting a miracle to believe that the men and the measures so imperatively necessary for the present needs of China will be forthcoming, but the whole process of transformation that has taken place during the last six or eight months partakes itself of the miraculous and makes a steadfast faith in the future seem reasonable even against reason.

Exports of Domestic Cotton Cloths, Mineral Oils, and Wheat Flour from the United States to China and Hongkong, during the nine months, ending March 30, 1911 and 1912.

EXPORTS TO CHINA.

Months.	Cotton Cloths.		Mineral Oils (illuminating).		Wheat Flour.	
1910.	Yards.		Gallons.		Barrels.	
July	10,897,533	$727,329	5,392,690	$323,424	638	$2,576
August	9,582,788	563,587	14,052,380	888,045	2,643	11,823
September	4,226,655	263,334	7,130,000	314,745	1,333	5,144
October	951,800	56,682	8,044,160	493,021	452	1,894
November	1,018,400	90,740	5,048,550	298,529	3,691	14,533
December	3,294,806	227,245	7,996,752	583,235	5,308	20,650
1911						
January	5,667,644	390,359	3,915,380	180,847	58,188	216,766
February	3,854,800	222,309	4,423,824	210,643	124,428	456,053
March	7,857,697	486,439	13,340,540	747,484	34,372	131,015
Total	47,352,378	$3,028,024	69,344,276	$4,089,973	231,055	$854,454
July	11,063,600	$788,798	15,882,570	$1,148,524	1,631	$6,490
August	8,680,440	625,749	7,827,602	537,398	21,926	79,752
September	7,671,189	581,168	7,857,040	572,253	61,783	237,040
October	6,901,562	484,934	5,660,580	406,178	55,750	216,175
November	12,544,616	877,394	.....	.....	67,470	266,515
December	12,534,270	844,814	4,040,070	282,039	55,850	217,338
1912.						
January	4,495,875	307,086	5,131,900	373,671	69,413	267,876
February	12,794,458	851,566	.....	.....	179,820	697,139
March	8,654,853	525,061	1,928,030	146,341	152,666	614,302
Total	85,340,872	$5,886,570	48,327,792	$3,466,404	666,309	$2,602,627

EXPORTS TO HONGKONG.

1910						
July	51,982	$8,126	1,757	$189	58,169	$242,81
August	19,350	2,558	1,748,039	130,973	54,231	217,046
September	6,550	707	.....	.....	20,289	84,794
October	18,047	4,639	.....	.....	92,673	371,287
November	5,391	819	1,585,000	114,460	61,840	236,943
December	18,821	2,616	191,230	13,099	203,005	798,776
1911						
January	42,917	7,104	1,742,440	142,425	108,727	$452,872
February	32,540	2,563	1,714,910	124,331	117,230	453,344
March	29,750	2,033	617,856	60,649	62,649	242,714
Total	225,348	$31,165	7,601,206	$586,333	821,876	$3,232,679
July	73,151	$10,412	.....	.....	72,283	$281,302
August	55,621	10,166	1,539,170	$115,438	73,571	287,511
September	49,832	7,889	2,040,000	151,980	85,937	333,803
October	44,343	7,410	830,000	81,956	251,607	993,047
November	35,212	3,509	2,455,000	184,827	143,919	550,437
December	187,236	20,889	2,677,000	195,421	234,502	915,396
1912						
January	57,814	7,253	.....	.....	94,456	380,186
February	110,352	15,039	1,263,540	92,833	106,985	410,863
March	5,131	1,127	1,636,000	67,076	148,716	561,253
Total	618,692	$83,694	12,440,710	$889,531	1,211,976	$4,718,797

DEPARTMENT OF COMMERCE AND LABOR,
Bureau of Statistics.

WASHINGTON, D. C., April 27, 1912

Imports of Tea and Silk into the United States for the eight months, ending February 28-29, 1910, 1911 and 1912.

TEA.	1909.		1910.		1911.	
Imported from	Pounds.	Dollars.	Pounds.	Dollars.	Pounds.	Dollars.
United Kingdom	5,731,325	1,368,407	8,266,497	2,114,496	10,703,303	2,812,230
Canada	1,779,617	397,355	2,201,619	542,174	1,872,537	531,623
Chinese Empire	27,189,856	3,156,836	23,953,797	2,814,045	16,230,024	2,101,821
East Indies	6,463,714	1,017,295	6,934,736	1,138,163	10,758,731	1,806,915
Japan	35,463,870	5,776,251	47,309,859	8,115,155	51,048,416	8,580,074
Other countries	529,495	125,488	941,019	156,421	645,297	115,895
Total	77,157,877	11,841,632	89,607,527	14,880,454	91,258,308	15,948,558

SILK. RAW, OR AS REELED FROM THE COCOON.						
Imported from	Pounds.	Dollars.	Pounds.	Dollars.	Pounds.	Dollars.
France	528,934	1,421,951	242,423	872,293	67,227	256,762
Italy	2,710,091	10,333,241	2,178,976	8,269,964	1,289,012	4,664,351
Chinese Empire	3,109,494	7,355,281	4,269,924	10,809,731	3,548,264	8,235,982
Japan	9,249,949	31,355,159	10,812,344	36,681,115	10,772,549	35,131,598
Other countries	169,123	629,229	135,120	506,519	158,068	552,699
Waste.....lbs...free..	2,376,468	1,335,677	3,149,738	1,729,015	4,058,758	1,835,214
Total unmanufactured	18,144,059	52,430,538	20,788,525	58,868,637	19,893,878	50,727,615

ANNUAL REPORT OF THE BRITISH CHINA ASSOCIATION.

It has been customary in our annual report to take note of important political events during the year, and following precedent some attempt must be made to pass in review the momentous changes which have taken place since our last general meeting. The difficulty is to select, in short compass, from the mass of moving incidents, those that are vital and fundamental as distinguished from those that are ephemeral or accidental. In last year's report, when reviewing the proceedings of the first National Assembly, then sitting at Peking, it was remarked that this body, which had been called into being to advise and assist the Throne, had not only done nothing to "assist," but by criticism, well or ill directed, had done much to weaken the moral control of the central Government. Few of us then dreamed that the central Government was so near the verge of moral bankruptcy that within the short space of four months the court, the Prince Regent and the whole paraphernalia of Manchu officialdom would be swept aside at the bidding, it is said, of the will of the nation.

The causes of the upheaval are many and complex. The revolutionary party at Nanking give out that the uprising is a revolt of the whole nation against an alien domination, which for nearly 300 years has oppressed and plundered the people, which has stifled all progress and which seeks, even now, to keep the masses in a state of abject submission. If this were true the explanation would be very simple and the work of reconstruction much easier than it is likely to be. But it is not true in several respects. Historically it is not true, for China was never so prosperous, so loyal, and it may be added so well governed, as under the first four or five Manchu emperors. That the dynasty has become decadent is true, and that there has been much misrule, feebleness and incapacity during the last half century is also true, but the Manchus are not alone responsible for that, because the policy of the court has been largely directed by statesmen of purely Chinese origin. Nor is it true to say that the uprising is a revolt of the whole nation. There is no evidence to show that the thinking part of the nation, the literati, the gentry and the commercial classes are or were disloyal or had any desire to exchange the monarchy for a republic. Still less is it true of the masses of the toiling people, who indeed have no opinion or understanding of the subject.

But, at the same time, there has been a growing feeling of discontent among leading provincials and a dissatisfaction with the central governing authorities, not so much because they are Manchu as because they are central. Want of space precludes any attempt at an exhaustive consideration of the causes of discontent, but an intelligent Chinaman would probably sum them up as follows:

The central Government has made a mess of things.

It has led the country into foreign wars, in which we have invariably been defeated; we have lost territory, we have lost money, and, worst of all, we have lost face. China is no longer the glorious country of our forefathers; we have had to pay huge indemnities, and the country has been saddled with an enormous foreign debt under which it is groaning, and trade is stifled by taxation to meet it. We have become the bond slaves of foreign nations, and in no long time the country will be partitioned out among them as one divides a melon. All this is the fault of the central Government."

Sentiments such as these have found free expression in the native press during the last few years. In themselves they did not necessarily lead to rebellion, but rather to a reformation by evolution. The general feeling was fairly represented in the National Assembly, which, while criticising individual officials, professed its loyalty to and confidence in the Throne. But, side by side with this feeling of discontent, the more ardent revolutionary spirits were carrying on an active propaganda against the dynasty, and when, finally, the military outbreak occurred at Wuchang to the cry of "Down with Manchus," the feeling explains the extraordinary phenomena of whole provinces throwing off their allegiance and declaring their independence by the mere hoisting of a flag.

The root origin of the trouble was long the standing conflict of authority between the central Government and the provinces. The degree of control which the central Government could exercise over the provinces was always a moot point. It has varied or seemed to vary very much. At times an observer would have said that the central Government is supreme in fact as well as in theory; it can get anything done if it chooses; and he might have instanced the successful suppression of poppy cultivation, which was manifestly against the interests of hundreds of thousands of cultivators and of many provincial officials. At other times we are told China is a democracy; the central Government can do nothing without the will of the people. Without attempting to dogmatize in the matter, it is sufficient for our purpose to point out that the present trouble began in a trial of strength between the central Government and the provinces over railway loans. A sort of a preliminary skirmish had taken place in regard to the Shanghai-Hangchow-Nigpo Railway, in which victory remained with the provinces. Notwithstanding the flotation of a foreign loan to build this line, the two provincial companies of Kiangsu and Chekiang insisted on the right to build railways in their own provinces with their own money, and refused to touch the foreign loan or to allow the foreign engineers to interfere.

But the great battle arose over the Hu-Kwang loan floated in May, 1911. This loan was contracted to finance the trunk lines from Hankow to Szechuen, and from Hankow to Canton, respectively. While the loan was under contemplation, but long before it was settled, charters had been granted by the central Government to local companies in Canton, Hunan, Hupeh and Szechuen, being the provinces through which the trunk lines would pass, authorizing them to raise funds and to construct sections of these main lines each within its own province. Members of the association are familiar with the interminable squabbles and disputes which have been going on over the internal affairs of these companies. The Canton company had been at work for five or six years, and had only some sixty miles of line to show for it. The Szechuen company had still less, and to crown all, it was found that the bulk of its capital had been lost in the rubber gamble at Shanghai. In these circumstances the central Government, under the guidance of Sheng Kung Pao, who had meantime become Minister of Posts and Communications, determined to cancel these provincial charters and to take the construction and maintenance of these trunk lines into their own hands, using foreign loan funds for the purpose. This decision was announced in a remarkable decree dated May 9, which will be found printed in the Supplement—a decree which marked the culminating point of imperial authority.

The provinces were furious, for not only was this an encroachment on provincial rights, but it touched them in their pockets, there being no assurance that the money subscribed would be refunded. Protests began to pour in, and delegates from all quarters were sent to Peking to remonstrate. The regent held out, and presented a bold front to the objectors, declaring in a series of further decrees that this was the unalterable will of the throne. Sheng, on the other hand, began to offer terms of redemption. Szechuen was the first to resort to violent measures. An anti-loan league was formed, which resolved that the province should pay no more taxes till the obnoxious decree was rescinded. At first the league was not anti-dynastic, for curiously enough they set up images of the late Emperor Kwang Hsu for the admiration of the people, contrasting him with the Prince Regent, who was represented as the author of the foreign loan policy. The agitation soon led to civil war, ending as we know in the murder of the viceroy and the disappearance of all semblance of imperial authority.

It was in this excited state of public feeling that the plot which had long been hatching by the Canton revolutionaries came to a head by the military revolt at Wuchang. Had either of these events happened by itself the consequences would probably have been less serious. The military revolt would almost certainly have been put down, as we know it nearly was by the recapture of Hanyang, had that not been neutralized by the fall of Nanking and the defection of the southern provinces. On the other hand, the railway agitation, though it might have ended in a victory of the provinces, would probably not have led to overt rebellion. Or again, if Sheng had been more liberal, and had had the money ready to buy up the shares of the local companies at face value, the railway agitation might have died out. It was the combination of all these causes that gave to the agitation the gravity it assumed.

Meantime the second session of the National Assembly opened at Peking. This body was the only one in China that could lay claim to represent the will of the nation, and it might have been expected that it would exercise a moderating voice of some weight between the throne and

the insurgents. As will be seen, the feeble efforts of the Assembly failed to effect anything, and after a few weeks of wrangling, it came to an ignominious end by the vanishing of the members. Their first act, however, was the impeachment of Sheng Kung Pao, as the author of the policy of railway nationalization, and this was followed immediately by the decree of October 26, which dismissed Sheng from office with ignominy. This was the first fatal step in the humiliating path which now lay before the ruling house, for Sheng's policy had been declared over and over again to be the unalterable resolve of the throne. Then followed an attempt to draft the basis of a new constitution known as the 19 Articles, by which the Manchu sovereignty was to be retained, but the Manchu princes excluded from office, and with a cabinet responsible to a parliament. The Prince Regent, on behalf of the infant Emperor, agreed to this step, and even took a solemn oath in the Ancestral Temple that he would faithfully abide by it. All was of no avail; the revolutionary party at Nanking were now dominant, and nothing would satisfy them but complete abdication. The National Assembly, powerless amid the clash of arms, and finding no support in the provinces, quickly came to an end, and presumably will be heard of no more. Its fate is a striking illustration of the value of representative institutions in China, at least under present conditions.

It is needless to expatiate on the final abdication decrees and the delegation of powers to Yuan Shih-kai to settle a form of republican Government with the Nanking authorities.

The question of questions now is, whether it is possible to draw up a workable scheme for the order and good government of China as a republic. If it is, all foreigners in China, and certainly this association, will rejoice and congratulate the authors on having accomplished such a marvelous transformation with comparatively so little bloodshed. But the task has yet to be done, and without being pessimistic it is permissible to entertain grave doubts of its success. It will be admited that the work of reconstruction has been made infinitely more difficult than it would have been if the Nanking revolutionaries had accepted the 19 Articles drafted by the National Assembly establishing a constitutional monarchy. These, in effect, gave all the guarantees that the most ardent reformer could have desired, and it may be said with certainty that they would have been accepted by the great bulk of the nation as a permanent settlement. They would have preserved the continuity of the Government and given a solid foundation on which reforms could have been built up. Now, the organic basis of the republic has to be laid, and after that a workable scheme of government among the constituent provinces has to be evolved.

Urgent as the political difficulty is, it is overshadowed by the still more urgent question of finance. The treasuries both at Peking and at the revolutionary centre at Nanking are empty, troops have to be paid, Manchu pensions have to be met and the general administration of the country must be carried on. The collection of taxes is in abeyance or, if collected, no funds are forthcoming from the provinces in aid of the central administration, and even if the republican Government is organized it will be months before the machinery for the due collection of taxes can be re-established. In the circumstances further borrowing of foreign funds becomes absolutely necessary if the empire is to be saved from anarchy. But grave responsibilities are imposed on the great financial institutions which are occupied in considering the best way of meeting the urgent appeal of China for help. There can be no question as to the immediate necessity of introducing drastic reforms in the financial administration and the creation of new security to meet the further borrowing. This is a matter of first class importance, not only to holders of existing Chinese bonds, but to all who are commercially interested in the welfare and progress of the empire. It is believed that a prominent feature of the programme which the administration of President Yuan-Shih-kai has under consideration is the employment of competent foreign advisers in the Ministry of Finance, the Salt Gabelle and the Land Tax departments. If these reforms are carried out, coupled with the currency reform and possibly a revision of the tariff, China may overcome all her difficulties. But it is indispensable that a genuine attempt be made to carry them out. The committee understand that the combination of the banking institutions of the four powers most interested in the prosperity and integrity of China are stipulating for reforms of the nature above described, and that in so doing they have the support of their respective governments. In the opinion of the association such a combination so supported is the only effective means by which guarantees can be secured that reforms, which are the sole condition on which financial aid ought to be given, will in truth be carried into effect. On the other hand, indiscriminate lending to China, whether by British or foreign banks, is strongly to be deprecated. Probably no worse service can be done to China at the present time than to lend her money without conditions. Reforms would be delayed, the loans would be squandered or misapplied, and in no long time bankruptcy would be staring her in the face. It may no doubt be distasteful to many Chinese to feel that money is only to be had on rigid terms, but the lesson is salutary, and the sooner it is learned the better for China and for all concerned.

During the year under review the construction of the Canton-Kowloon Railway was completed, and the line opened to through traffic on October 4. Work on the Tientsin-Pukow line has been continued in spite of considerable interruption on the southern section from rebel movements. It is understood that rails have been laid throughout the whole length from Nanking to Tientsin, with the exception of the Yellow River Bridge, which, however, is well advanced, and it is expected that the whole line will be opened to traffic before the end of the year. Owing to the troubles, no work has been done on the trunk lines from Hankow to Canton, and to Szechuen, though the loan to finance them was floated in June. The future of these lines is still uncertain.

A loan for £10,000,000 was signed at Peking on April 15 by the representatives of the four banks for purposes of currency reform, a portion, however, being reserved for industrial development in Manchuria. By Article 8,

the Chinese Government undertook to hand to the banks a programme of reform based on the decrees issued from time to time during 1910, most of which were printed in last year's report. It is understood that the banks have generally approved of the programme, including the appointment of a foreign expert adviser, but the issue of the loan was deferred by the outbreak of the revolution, and nothing more has been done.

WHANGPOO CONSERVANCY.

Although the year which has passed, so far as this question is concerned, has been disappointing in that the scheme proposed by the Shanghai Chamber of Commerce at the end of 1910, approved by the consular body and the entire community of the settlement, long remained in abeyance pending the leisurely consideration and sanction of the Chinese Government, yet the committee are able to report some progress. A Chinese counterdraft scheme was presented to Sir John Jordan with the intimation that the Chinese Government were anxious to meet his views, but it was found that there were three important points of divergence, on one of which at least—the question of the assets and liabilities of the Conservancy Board—no compromise was possible. It was, of course, equally impossible to discuss the annulment of the Protocol of 1901, which it was evident the Chinese had in contemplation when drafting the eleventh article of their scheme. It was thus well into September before even this stage of negotiations was reached. The river had meanwhile been rapidly deteriorating to such an extent that the fairway at the sharp Upper Gough Island bend had been so considerably narrowed that the harbormaster was constrained to change the position of the buoys marking the passage. To add to the difficulties of the question, about this time the anti-dynastic revolution broke out. It was recognized that such matters as the Whangpoo Conservancy stood but a slender chance of any further attention at the hands of such Government authority as remained at Peking. The natural sequence was that those powers interested in the future welfare of Shanghai were forced to take matters into their own hands, and the committee were pleased to learn that all the Ministers in Peking had agreed to put the Chamber of Commerce scheme into force irrespective, for the time being, of Chinese co-operation. This is the position at the present moment. It is to be hoped that so soon as a stable government is established it will accept this scheme without demur and thus give it full official sanction.

TRADE MARK CONVENTION WITH JAPAN.

This question, so far as the association was concerned, was brought to a conclusion in April, when the Foreign Office was informed, after long and deliberate consideration, that the general opinion, not only of the China association and its Far Eastern branches, but of the important chambers of commerce which had been consulted, was that "no convention would be satisfactory which did not recognize that the right to a trade mark in China shall be determined solely by priority of user in that country."

OPIUM.

Since the early part of the year very little has been heard in the way of complaint from those engaged in the trade at Hongkong, from which it may perhaps be inferred that the ruling conditions are at least more favorable than was the case when last year's report was published.

As regards the suppression of poppy cultivation in China it is interesting to note from Sir Alexander Hosie's reports of his investigations in Shansi, Shensi, Kansu, Szechuen and Yunan, published last June, that he found although cultivation had not entirely ceased in some districts, yet there was a very notable reduction in each of the provinces he visited.

For instance, of Szechuen, until recently "the greatest opium producing province in China," Sir Alexander Hosie says, that after thirty-four days travel and from his own personal investigation, he is satisfied that poppy cultivation has for the present been suppressed. On the other hand, in Shensi, for example, Sir Alexander Hosie found that the plant was still openly grown in many districts on an extensive scale, but that there were evidences of steps being taken to curtail it, while in the west of the province there was nothing to show that any such measures had been adopted. But on the whole, for the immense progress made in suppressing poppy cultivation, credit is due to the Chinese for the practical accomplishment of a task unparalleled in the history of their own or any other nation.

An agreement was signed on May 8 by Sir John Jordan providing for the progressive reduction of the export of the drug from India until its final extinction in 1917 or earlier, as soon as China could show that opium cultivation had been entirely suppressed in all the provinces. Certificates were to be issued for every chest exported to China, and only certificated opium was to be allowed to enter at the treaty ports. The duty was raised from 110 tls. to 350 tls. per chest. China, on the other hand, undertook to diminish annually the production of native opium in the same proportion. If the new Government carries out the suppression of the poppy cultivation as faithfully as the late Government did, we may hope to see an end of this vexed question in a few years.

SHANGHAI SETTLEMENT EXTENSION.

Two points were, perhaps, especially notable in the report for last year regarding this question—the first, that the strenuous efforts made for an extension of the settlement limits resulted in failure, and, secondly, the danger apprehended from an outbreak of plague. With reference to the first, though it is again impossible to record success, there is satisfaction in the knowledge that the necessity for rectification of the boundaries is recognized in all quarters, and that patience is all that is now requisite. As regards plague, the danger apprehended was realized; that its spread was so quickly arrested was due solely to measures taken by the municipal authorities, and not in any way to increased sanitary precautions in the Chapei district, for that remains as filthy as ever. For the present then, while constantly bearing in mind the ultimate extension of the settlement as in the highest interests of natives and foreigners alike, the policy of all should be to second the efforts of the British and other foreign ministers in obtaining relief from the police incapacity and the unsanitary conditions prevailing in the Chapei district.

The association would like to acknowledge the assistance received from the American Association of China and Deutsche Vereinigung in advocating this question.

UNPAID NATIVE BANK ORDERS.

Early in the year this question occupied the attention

of the committee for the first time. As it has now passed into a channel more fitted to deal with it than this association, whose interest, from the nature of the subject, could not have been much more than academic, it scarcely seems necessary to go into it at length.

It appears that at the time of the collapse of the rubber boom, when native banks were failing all round, the Taotai at Shanghai procured a loan from the foreign banks of 35 lacs of taels, the object of which, as stated in the agreement, was first to pay off certain schedule bank orders; second, to insure the prompt payment of all other outstanding native bank orders, and, thirdly, to relieve the market. Item one was carried out, but item two was utterly disregarded. Not only were the other outstanding native bank orders not paid from the loan, as it was with reason claimed they ought to have been, but even the ordinary remedy of the Mixed Court was refused, for it was impossible to obtain summonses or warrants against the proprietors of the defaulting banks, many of whom were alleged to be men of ample means. The initiation taken by this association and by the Shanghai branch has directed renewed attention to the subject, and from recent cases in the Mixed Court it is hoped the grievances complained of, which are undoubtedly serious, are in process of being remedied.

JAPAN—NEW TREATY AND PERPETUAL LEASES.

The most important, as well as the most interesting, event of the year in connection with Japanese matters, undoubtedly was the signature of the Treaty of Commerce and Navigation between Great Britain and Japan on April 3, 1911, and which came into force on July 17, and remains operative until July 16, 1923.

Generally the treaty is considered to be a great improvement upon the original draft, but it does not give entire satisfaction. For instance, the omission of any reference to the vexed question of perpetual leases, except in the appendix, wherein it is stated that the matter should form the subject of a separate negotiation, and was not prejudiced by omission in the treaty, is the cause of some disquiet. The feeling seems to be that the intentional omission augurs further delay in the settlement of a question which is the origin of constant and increasing friction between foreigners and the Japanese authorities, while the Japanese population of the principal ports is led to believe that foreigners are evading taxation, the truth being that it is the Japanese authorities who have failed to carry out the arrangements agreed upon in the Treaty of 1894 and confirmed by the Hague Award in 1905.

G. JAMIESON, Chairman.

THE BRITISH CHINA ASSOCIATION ANNUAL MEETING.

The annual general meeting of the China Association was held in London on April 24. Mr. Geo. Jamieson, C. M. G. (chairman of the association), presided.

The chairman said in part:

The first item on which I would remark is the conservancy of the Whangpoo River. The committee were pleased to learn, as stated in the report, that the foreign ministers at Peking had agreed to put the Shanghai Chamber of Commerce scheme into operation forthwith, without the co-operation for the time being of the Chinese Government. Since the report was written, however, we have learned from a letter from the Foreign Office that a hitch has occurred. The Chamber of Commerce scheme contemplated that the levy of 3 per cent. of customs duties would be carried out by the Commissioner of Customs. It appears that Sir John Jordan succeeded in obtaining from the Wai-wu-pu a letter to the inspector-general giving him discretionary authority to co-operate in the scheme, and the latter in instructing the commissioner at Shanghai had deemed it prudent to direct him, before issuing a notification on the subject, to lay the matter before some of the influential members of the Republican party at Nanking, and explain to them the necessity of the tax and the purpose for which it was proposed. When the matter came before the *de facto* Government at Nanking this body informed the Shanghai commissioner that the proposed consultative board under Article 10 "offended their susceptibilities" and unless that article could be kept in abeyance they would object to the tax. Article 10 appears to me a most innocent provision, and merely provides a body—which, moreover, includes a member of the Chinese Chamber of Commerce—to which the commercial interests of the port. There is no interference proposed. However, it offended the susceptibilities of the Nanking party, and so for the time being they refused their consent. We note, however, from a letter just arrived from Shanghai that the association is taking the matter up again with the Board of Consuls, and some correspondence has gone forward, and I hope that this probably will not be final. I saw it stated in one paper Yuan Shih-Kai had given positive instructions the scheme was to be proceeded with. The difficulty is rather a disappointment, especially coming from the new Republicans at Nanking. They proclaimed very loudly they were going to encourage foreign trade, and the first moment we come up against them they oppose us. Their susceptibilities suggest the old formula of sovereign rights over again. From all our information the river is deteriorating rapidly, and the consequence of delay will only mean greater expense to all parties concerned, the Chinese as well as ourselves. With regard to the extension of the Shanghai settlement, we were no further forward here. We learn, however, from Shanghai, the matter has been taken up again, and the suggestion has been made that the settlement of the conservancy scheme and the extension of the settlement should be a precedent to the recognition of the Republic. If they can get all the powers to co-operate in that, I can see a very good prospect of both being carried out. One power cannot very well stand out for its particular interests when a general scheme of recognition is before them, and they are all equally interested in seeing Shanghai put in a proper condition, so as to allow precautions to be taken against the introduction of plague and other diseases, and to put an end to the overlapping of authority that leads to unseemly conflict by which criminals alone benefit. I hope, therefore, we may before long see some result here. The importance of Shanghai as a city of refuge has been demonstrated in

the most marked manner by the recent troubles. Viceroys and Taotais who have hitherto opposed extension have been the first to seek safety and shelter under the municipal flag. It is due to the revolutionary authorities to recognize that they have carefully respected the neutrality of Shanghai, and that at no time have the lives or property of foreign subjects been put in jeopardy. Some apprehension was felt at one time in this country as to the safety of goods stored in Shanghai in case of an *emeute* or mutiny of troops, and I am glad to say we received from the Foreign Office in reply to our representations an assurance that all contingencies were amply provided for. The transfer of two extra Indian regiments from Bombay to Hongkong was noted as a satisfactory feature. Hankow, which was in the midst of the fighting, was, of course, in a worse plight than Shanghai. The greatest credit is due to the local volunteer force, who had to undertake guard duty for a long and anxious period, notwithstanding the presence of a considerable naval force. In response to an urgent appeal from them we addressed the Foreign Office, and had the satisfaction of learning that 200 men of the Yorkshire Light Infantry were dispatched within a few days.

China's Pressing Needs.

The other subjects mentioned in the report do not call for any special remark. Currency reform, for instance, is, I am afraid, relegated to an indefinite future, and I should only weary you if I attempted any disquisition on the merits of the proposals. But perhaps you may expect me to say something on what I am sure is occupying all your minds, and that is the question: When are things in China going to settle down and allow trade to resume its normal course? The first necessity is to have a government that will govern; that is to say, that will put down brigandage, ruffianism, burning and plunder with a strong hand and protect the peaceful citizen in the pursuit of his industry. We care not whether it is a monarchy or a republic or a military dictatorship so long as it keeps the peace. But that is precisely what we have not got, and though I would like to be optimistic, I confess the outlook does not seem to me very cheerful. It is often said that the Chinese are a law-abiding and peaceful people, industrious, and easily governed, and that is true in the main. But there is a large fringe of them who are anything but law-abiding, who live on piracy, robbery, and blackmailing their peaceful neighbors. By the dissolution of the Imperial Government this flood of ruffianism has been let loose on the country, and is working its will on a defenceless peasantry unchecked and unpunished. Lamentable accounts of such doings continue to appear in every China paper. To put an end to this state of lawlessness is the first and most urgent need. The ill-assorted masses of troops that the rebellion has gathered round about Nanking is another standing menace to the peace of the country. There is reason to think that a good deal of the ruffianism has been admitted into their ranks. A striking illustration of this is to be found in a recent report of the superintendent of police at Shanghai, who informs the council that he has ascertained that ex-convict No. 7750, sentenced to two years and to be expelled the settlement as leader of a gang of robbers, was now a general in command of a part of the city garrison. Another of the same kidney was a captain in command of a battery at Woosung. If the commanding officers are of that type one may judge what the rank and file are like. It is small wonder if incipient mutiny is rife, and indeed at any moment a serious outbreak may yet occur. It is imperative that the bulk of this force should be disbanded at once, though the disbanding, if indeed they consent to be disbanded, would only throw most of them back to their old occupation of brigandage. Even that, however, would be less dangerous than that they should have guns and ammunition in their hands.

These are the immediate and pressing needs if peace and order is to be restored, but behind all that there is the serious question of the reorganization of the government and the still more urgent question of finance. I cannot take up your time over these very thorny points, but I would just remark that, as to the first, the crux is: Is China to remain an organic whole or is it to be a loose agglomeration of semi-independent republics? One can conceive the old organization being continued with the President and a Cabinet in lieu of the Emperor and the Grand Council, and that no doubt would be the easiest solution. But will that suit the revolutionary party? Or, again, would it suit the provinces such as Szechuan and Hupeh, who took up arms in defense of provincial rights and came out on top? Are they going to surrender their new-found freedom to a new central government? Are the taxes to be Imperial taxes and levied by Imperial officers, or will the provinces insist on keeping hold of their own taxation? In that case how are the old national obligations to be apportioned, and who is to be responsible for the heavy additional borrowing which appears inevitable? These questions will come up before the new National Assembly, which we understand is to be summoned shortly. Its meeting will be an event of first-class importance, for it is not too much to say that on its composition and behavior the whole future of China depends. If the provinces really send forward their best representative men, and if a reasonable spirit of give and take prevails, all may yet be well. The influential gentry of the provinces with a few exceptions have so far stood aloof from the revolutionists, but, on the other hand, there is nothing to prevent them from accepting the *fait accompli* and working together for the good of the country. But if, on the contrary, the bulk of the representatives are self-elected agitators such as compose the present so-called assembly at Nanking, it is to be feared the result will be a fiasco, or more probably a tragedy. It is certain that no government purporting to be based on the will of the people can live unless it is in touch with the support of the middle provincial classes. They may be backward and unprogressive, reactionary if you like, but they are a power to be reckoned with. The only alternative is a government resting on force pure and simple, that is to say, a military dictatorship, and that would mean a return at no distant date to the old style of absolute monarchy. Meantime,

Yuan Shihi-Kai has got together a provisional Cabinet or Ministry, and though necessarily composed of somewhat heterogeneous elements, it may be presumed it will hold together until the National Assembly meets. It is to be hoped that they will use the interval in endeavoring to check the rampant lawlessness and in weeding out the undesirables among the troops, both northern and southern.

THE FINANCIAL QUESTION.

As to finance it is admitted on all hands that China must have more money if she is to be saved from bankruptcy and anarchy. Some authorities tell us she will require at least £60,000,000 in the next few years, and some put it much higher. But take it at £60,000,000. That would bring China's foreign indebtedness up to about £200,000,000. The question is, can she pay her way with this burden, the annual charge for which, interest and amortization combined, cannot be far short of £13,000,000 or £14,000,000, say, *Tls.* 100,000,000? To me it seems quite certain that on the existing basis of taxation she cannot. Only some fifteen years ago competent authorities estimated the whole revenue of China at less than *Tls.* 100,000,000. By dint of pressure it has risen since then, but even the official budget of 1911, the first and only one ever presented, put the revenue at only *Tls.* 296,000,000, and that included large sums which do not appear to be revenue at all. The four main taxes, viz., land, salt, customs, and *lekin*, amounted in all to *Tls.* 206,000,000, so that about half the revenue proper would have to go in payment of foreign debt. The expenditure side of the budget showed outgoings of *Tls.* 333,000,000, of which only *Tls.* 52,000,000 were for service of foreign debt, and there was a deficit of some *Tls.* 36,000,000. If the service of the foreign debt were increased to *Tls.* 100,000,000 the deficit would, other things being the same, be between *Tls.* 80,000,000 and *Tls.* 90,000,000. The revenue can, no doubt, be still further improved, but not so fast as some people seem to think. China is essentially a poor country, though no doubt containing vast possibilities. In point of wealth pennies stand for what pounds do in England. Any sudden great increase in the land tax, for instance, could not be met. It is quite true that a large portion of what is extracted from the peasant proprietors never reaches the exchequer, but how is that to be suddenly altered? Native agents must be employed as heretofore, and is it to be supposed that human nature has been so altered by the revolution that there will be no more peculation and waste? As well expect a miracle at once. The salt revenue is another item which it is supposed could be largely increased. Its present yield is about *Tls.* 40,000,000, and it is said it could be made to yield double that amount, and that I believe to be possible enough. But here, again, the reformer is up against an obstacle in the shape of vested interests. The salt trade is in the hands of monopolists, who have paid money for the privilege, and who, consequently, have to be bought out. It will probably cost two or three years' purchase of the enhanced revenue to expropriate the monopolists, and though in my opinion it ought to be done, it will be seen that no immediate aid can be expected from that quarter. It is highly probable that the treaty powers will soon be approached to sanction an increase of tariff from 5 to 12½ per cent. in terms of the Mackay treaty in return for the abolition of *lekin*. It was reported some time ago that *lekin* had been in effect abolished around Shanghai. Whether that is so or not I do not know, but if in truth *lekin* could be swept away, barriers and all, I think foreign trade would gain even with the increased duty. This happens to be the year when the Mackay treaty falls due for revision, and it seems desirable that the question should be kept open until such time as the new government is fully installed. The increase of customs duty would not, however, bring any immediate gain to the revenue. At present customs and *lekin* combined yield about *Tls.* 78,000,000, whereas raising the tariff on imports to 12½ per cent. with some adjustments on exports would probably not yield more at present than *Tls.* 50,000,000 to *Tls.* 55,000,000. But given stable government much might be hoped from the expansion of trade. The conclusion from these figures is that if China is not at the moment actually insolvent her finances are in an extremely embarrassed condition, and it will require very careful nursing to tide her over the next four or five years. Three conditions appear to me to be essential if she is to be brought back to solid ground. The first is a united and stable government, the second is the strictest economy and borrowing only for reproductive works, and the third is radical reform in all branches of the administration. The first she must accomplish for herself, the second and third can be made, and should be made, a condition by the lending groups. If all three are carried out we may soon expect to see a rapidly expanding trade and a healthy growth of the normal revenue. But it is the height of folly to lend money without conditions, and will only hasten the day when China must take her place among the defaulting nations.

ANNUAL MEETING OF THE SHANGHAI BRANCH OF THE BRITISH CHINA ASSOCIATION.

The annual general meeting of the members of the Shanghai branch of the China Association was held on April 12 at the Chamber of Commerce rooms, Yuen-ming-yuen road. W. A. C. Platt presided. The chairman said in part:

Since I last had the pleasure of addressing you a great change has come over the vast Empire of China, of which Shanghai is a small but at the same time most important part. The national uprising, which began in September in the Province of Szechuan, spread with such rapidity that now that six months have elapsed we look back with wonder at what has been accomplished by this nation, which has always been looked upon as decades behind any other. We cannot consider the country as in a settled condition yet; with the thousands of soldiers who have not received their pay and who will have to be disbanded in every centre, troubles are bound to occur. The position at the moment is not as bright as we could wish, and until the question of the foreign loans is settled we cannot expect the new Government to do much in the way of paci-

fying the districts. Gentlemen, the republican officials are playing with, I might say, dynamite, so long as they play fast and loose with those who are willing to lend them money. The Chinese officials responsible for the Belgian loan have undoubtedly broken faith with the international group, and have failed to observe the ordinary canons of uprightness and fair dealing. The acceptances week after week of the advances made on behalf of the international group, without disclosure of the fact that negotiations were in train with another syndicate, was about as grave a breach of faith as it is possible to imagine, even if, as stated, negotiations were begun as far back as December last. In talking of this great revolution one cannot fail to remark on the comparative immunity from harm of foreigners and foreign property. As the report states, Hankow has fared the worst of any of the treaty ports, but when we consider the position of the Hankow Settlement in relation to Wuchang, Hanyang and Hankow city, the damages to property must be put down as infinitesimal. We in China will watch with interest the building up of the new constitution, and can only trust that the reforms required in so many directions will be speedily introduced, and that the nation will make rapid progress in its efforts for advancement.

SETTLEMENT EXTENSION.

On this subject I have little to say; conditions, one might say, are changing daily, but I cannot refrain from reiterating that the request for extension was and is made as much in the interests of the vast Chinese population as well as in the interests of the foreign residents. That conditions on the settlement boundary are becoming worse, I have no hesitation in stating. The growing habit of kidnapping will have to be put down with a firm hand, and the lack of co-operation, or, as one might term it, the passive resistance of the Chapei constabulary, cannot be allowed to continue under the conditions now existing. A grave danger is undoubtedly run by residents of the North Szechuen road extension where it can be seen, a foot from a municipal road, armed policemen with rifles and ball ammunition. We know how careful we have to be with firearms, but we cannot classify the rabble of which the Chapei constabulary is formed as careful men. It seems to me that the big talking regarding the boundary question, which has been published of late in conection with North Szechuen road, is simply an attempt on the part of the Chinese to try to influence the case which has been heard before the Court of Consuls with regard to the laying of the water pipes of the Chapei waterworks under municipal roads. Gentlemen, your committee are convinced that extension will have to come, and at no very distant date, and I can assure you that every opportunity will be taken to press this question, the need for which is as obvious to you as to me.

CONSERVANCY OF THE HUANGPU.

Three months have now elapsed since the Governments of the Treaty Powers gave their assent to proceed with the Conservancy scheme, as suggested by the Chamber of Commerce, as a temporary measure, and in spite of this, great laxity has been shown by the responsible republican Government officials in giving their sanction to the Commissioner of Customs to collect the necessary dues as laid down in the scheme already referred to. We have been in communication with H. M. Consul-General regarding this point, and I am glad to be able to inform you that the President has telegraphed from Peking to Premier Tang to put in force the scheme; further, I am given to understand that instructions have now been received in Shanghai for the taxation to start at as early a date as possible. The tax, you will remember, gentlemen, is one of 3 per cent. on the customs duties, and on duty free goods of 1½ per mille; this should bring in, roughly, 300,000 tls. per annum, but from Mr. von Heidenstam's very extensive report published in October last covering the expenditure of the works urgently required for a period of ten years, it is found that three lakhs will be insufficient. It is, therefore, probable that some further negotiations will have to be opened, and your committee have not lost sight of the fact that the tonnage dues of the port should, as in every other port of the world, be used for conservancy purposes. It is true the Chinese Government pays for the lighting of the coast from these dues, but they do not spend one-quarter of the amount collected under this heading in so doing. I referred at some length last year as to why this taxation should be collected in the manner suggested, and also to the fact that we must have free access to the sea to allow for deep draught vessels coming up. The river is daily deteriorating, and it becomes, therefore, a matter of vital interest to us all that no further delay or hindrance should be tolerated, for we must all remember that the Peace Protocol 1901, annexe 17, can still be made operative if obstacles are put in the way of the work proceeding.

DR. HAWKS POTT ON THE SITUATION.

It is too soon to speculate in regard to the results of the present upheaval in China. Even the most optimistic realize that the transition period must be accompanied by much disorder and confusion and that it will be a long time before order and peace can be restored. In the end, however, we may expect that the forces which make for enlightenment, progress and liberty will prevail—*Magna est veritas et praevalabit.*

As one important consequence, however, we may look forward to the adoption on the part of the Chinese Government of a policy of complete religious toleration.

China's attitude toward foreign religions in the past has been a much-debated subject. Mr. E. H. Parker holds that there never has been a more tolerant people than the Chinese in questions concerning religion, while Dr. DeGroot in his writings contends that bigotry and suspicion have always characterized the action of the Government. The truth would seem to be, that wherever religions have in any way interfered with the Government and with old-established religious rites, such as ancestral worship, they have been regarded with disfavor. In so far as they have inculcated sound morals they have been looked upon as

beneficial to society. The Chinese opposition to the Christian Church has been largely due to the fact that they have resented political interference on the part of the churches and missionaries, and have feared lest the new religion, by throwing the ægis of its protection over its converts, would make of them a peculiar people not entirely under the control of the Chinese magistrates.

Although according to treaty and the right of user no obstacle is placed in the way of propagating Christianity in the Empire, yet the Christians have labored under certain disabilities. It has been difficult for them to study in Government schools and colleges, because of the compulsory worship of Confucius. It has been impossible for them to hold high official rank, because of certain religious ceremonies they must perform. Mission schools have been regarded with a good deal of jealousy and their graduates have not been given the right of franchise in the election of provincial delegates.

The old government did not seem to appreciate the fact that it was sowing seeds of discord, which sooner or later would produce a disastrous harvest.

We may confidently expect that the new government will be wiser. The Christians have proved their patriotism in the revolution, and some of them have been appointed to high official positions. For instance, Mr. C. T. Wang, formerly a secretary of the Chinese Y. M. C. A., has taken up an important post in the Board of Foreign Affairs at Wuchang.

We believe that all disabilities will be removed and that once and for all the question of religion will be removed from policies. Just at present the example of the United States seems to have a great influence on the minds of the Reform Party, and it is highly probable that China will adopt the same enlightened policy in regard to religion as that which has been followed in the republic she would imitate. No religion is to be supported by the Government but as President Taft aptly put it, all religions and all churches, which influence people to virtuous living, will be protected by the Government.

This is all we should desire. We do not ask for anything further than a fair field and no favor.

A policy of complete religious toleration, by which every man can worship God according to his conscience, and is free to live according to his religious convictions, will be adopted. This will render it possible for those of the higher classes to adopt Christianity, if persuaded of its truth, and we shall soon see the day when some of the members of the cabinet and the highest officials of the land may be Christians.

The old taunt that Christianity has only made converts of the poor and humble will no longer be possible.

A wise settlement of the religious difficulties which have threatened so long the harmony of this nation will undoubtedly be one of the fruits of the present imbroglio.—*St. John's Echo.*

A CHINESE VIEW OF CHINA AND REPUBLIC.

From the St. John's Echo.

Let us ask: Is there a standard of readiness to which a nation, in order to become a republic, must refer? Some would be inclined to answer: Yes, the people of the given country must be so enlightened, education must be so universal, the resources of the country must be so developed, that no anxiety is felt as to the means and ability of carrying out the government successfully.

If this be the true standard of measurement, China is not ready for a republic, and it is good that she does not adopt it. If a republic be a form of government for the acceptance of which everything must be provided beforehand, it is not to be desired.

We hold a different view. We believe in the potentialities of a republican form of government. We believe that in a republic instead of everything being provided for, it provides, increases, develops and improves everything. We believe that under it the country moves forward, prospers and becomes enlightened. We believe that under it Justice may rise her head unhampered, and Right hold her sway in full glory.

What then shall constitute our standard of readiness? This: a country is ready for a republic when there exists a consciousness of the virtue of a republic, and when there is a will to obtain the same. The consciousness must not be taken to mean that all the people are enlightened, for that is one of the tasks of the republic. The consciousness is the incentive; the will is the way.

If so, then China is ready for a republic. She has the consciousness; she has the will. And the consciousness and the will have been tested, and found potent and irre sistible. Some man has undertaken the testing, and for the worthy experiment he has won the disfavor of the nation.

This man is Yuan Shih-Kai, "the man of the hour," "the strong man of China." Some have characterized him as selfishly ambitious, but that needs still to be proved. That he has enrolled himself on the side of the Imperialists casts no stigma on him. It only reveals his circumspection. His were cautious steps. As soon as he arrived in Peking, the Throne was made to swear observance of the nineteen articles of the constitution according to which the Manchu Princes were to take no part in the government, and the cabinet was to be composed entirely of Chinese. This proved ineffectual, for the tide was strong and paid no heed to him. The Prince Regent was then asked to retire, as a further means of pacifying the people. A special embassy was then sent down to Shanghai with the hope that everything might be hushed up after such a big concession had been made. But no! The will was still strong; the tide was not to be held in check. At last he yielded, but only after he had proved to his own satisfaction that, after all, what has transpired before his eyes has been no mere illusion, but is founded on a solid bed-rock of national consciousness and national will. His hesitation removed, he meets the wishes of the people with the epoch-making edict which practically means abdication. This is Yuan's great experiment, for which I pay him respect; for which he has, or should have, won the admiration of all; and by which he has proved beyond the shadow of a doubt the readiness of China to be a republic. He has been told conclusively, as was the French king, "Revolution not rebellion."

There are two classes of men who think that China must not be a republic. The one class believes in the virtue of a monarchy; the other class desires to see everything hushed up, peace restored, and the market relieved.

The first class argues: Why go to such expense and bloodshed? All that you want to get, you have obtained. The Premier is yours, the cabinet is yours, the government is practically in your hands, the Emperor is but a figurehead. If you continue the fight, you will be shedding your precious blood for something unsubstantial—a mere name. The object is not worth your effort. Besides, the Chinese, like the Englishmen, should naturally be proud of a king. For ages they have been ruled from above, and they naturally have that indefinable love for an emperor.

But why do not these supporters of a monarchy put it the other way round: Since the Emperor has lost all his power, why should he cling firmly to the mere name rather than abandon it altogether? Which is more reasonable: to sacrifice the interests of a people for the whims of one man or that of one man for the interests of a people? That argument of Wu Ting-fang's is unassailable. It is substantially this: Since by a comparison of the constitutions of the most advanced limited monarchy and the most progressive republic we find them to be to all intents and purposes the same, why should we go to the expense of keeping up an empty royalty when we can divert the same to more useful purposes? Moreover, what is the good of retaining a baby-Emperor? If he were a man, he might be able to do something. But what can he do as a baby?

Some think that the Chinese temperament is in support of a monarchical form of government. But if the Chinese have had that indefinable love for the Emperor, that love is now gone. And, it is impossible now to revive it, when there is held before our eyes the tempting fruit of a progressive republic. Besides, the Manchu Dynasty is done for. Surely the people will not push another to the throne. If any man should aspire to be an emperor, his road to the throne would be fraught with bloody strife, and this would not be a more peaceful solution. On the other hand, the president is elected by the will of the people, his tenure of office is a limited number of years, and of course we have here a simpler solution. Since the monarchy failed to do what we expected to be done, let us try a republic.

I have said there is another class who desires to see the monarchy established and peace restored from a commercial point of view. These men are short-sighted. They fail to see that the temporary depression of trade will be many times compensated for under a good government, for railroads will be multiplied, and foreign commerce immensely increased. But peace-at-any-price men are cowards. To attain anything great, strife is an inseparable condition. This is true in the moral realm, intellectual and physical. It is true with a nation aiming at a higher, juster form of government.

At bottom, the cause of this present upheaval lies in the contact with the West and the ushering in of new ideals. After all, the revolution is a demand for political reforms. The fact that a racial element is associated with it is what in logic is called *argumentum ad hominem*. It is simply a device used to stir up the people—a device that, after having been found unnecessary, has been readily abandoned. At any rate the bloodless character of the revolution augurs well for the future. It speaks volumes for the self-control of the revolutionaries and hence for the success of the republic.

To wait for ideal conditions and then form the republic is idle. To start from imperfections and then approach the ideal is but natural. Differences will be healed; imperfections will be set right. For the present, perhaps, universal suffrage is impossible. But suffrage is not a natural right; it is an acquired prerogative. Let those who have fought for it, get it. Those who will fight for it will get it. The republic will not be the ideal: it will be a step toward the ideal.

BENJ. E. CHIU.

THE FAMINE IN CHINA.

The Central China Famine Relief Committee which is making the present appeal for funds to relieve famine conditions, especially in North Kiangsu and Anhui, takes the place of the three committees which existed last year, and is doing its work along certain new lines.

In previous famines, although it was recognized as desirable to give relief chiefly in return for work, and this was to a considerable extent carried out, for the larger part rice was simply given away to those in need, and little attempt at preventive measures was undertaken. The distinctive thing about the present famine committee is its ambition to become the last of its kind in China. Its desire is to create a public sentiment that will throw upon the new Government the full responsibility for undertaking a program of conservation, and to make the work which the committee does this year the beginning in such a program. Itis the object of the committee not only to secure money in China and abroad for famine relief in the form of work, but to influence the Government to spend its money in the same way, so as to avoid pauperization in saving life, and to prevent the recurrence of famine.

The missionaries living in the famine districts have felt keenly the burden of continued famine relief year after year, which breaks into the continuity of the regular work carried on at their stations. At a meeting of missionaries at Kuling during last summer they decided upon a policy of no relief without work, except in the case of those incapacitated for work, and appointed representatives to push the organization of a new committee.

This committee is made up of Chinese and foreigners in equal number. Some of the leading business interests in Shanghai are represented on the executive committee. The treasurer is the manager of the International Banking Corporation.

The following is a list of the members of the executive committee:

The Rt. Rev. F. R. Graves, D. D., of the American Church Mission, chairman.

His Excellency Wu Ting Fang, vice chairman.

H. C. Gulland, manager International Banking Corporation, honorary treasurer.

Chu Pao San, hardware and machinery merchant, honorary treasurer.

Rev. E. C. Lobenstine, of the American Presbyterian Mission, honorary secretary.

Yen Ye Ding, Chinese secretary.

Rev. G. H. Bondfield, British and Foreign Bible Society.

Rev. Father P. Bornand, St. Joseph's R. C. Church.

W. F. Inglis, of Jardine, Matheson & Co.

H. F. Merrill, commissioner of customs.

B. Rosenbaum, of Carlowitz & Co.

J. F. Seaman, of Wisner & Co.

J. A. Thomas, managing director British-American Tobacco Company.

Ch'en Jen Fu, chairman Shanghai Chamber of Commerce.

Chen Yeu Ching, president of Shippers' Guild.

Hoo Erh Mai, director of Ta Shun Cotton Mill.

Pei Jen Seng, vice chairman Shanghai Chinese Chamber of Commerce.

Shao Gin Tao, piece goods merchant.

Yih Ming Tsar, piece goods merchant.

Yuan Heng Kee, International Banking Corporation.

Yu Ya Ching, Netherlands Trading Society.

Offices:—16 Kiukiang Road, Shanghai, China.

Hankow had suffered from flood before the beginning of the revolution and there was every promise of great suffering during the winter. On top of this came the misery incidental to war, and the final calamity of the burning of the city. This was followed by looting. Since the evacuation of the city by the Imperial troops refugees are flocking there in great numbers in the hope of receiving food and help.

The situation there has appealed especially to the Chinese, and considerable amounts of money have been given by them for the relief of those rendered homeless.

The Hwai is a river without a mouth. Many years ago it had one and flowed to the sea, as the habit of rivers has been from time immemorial. Then it happened that the Yellow River, China's sorrow, in one of its wanderings took possession of the lower part of the Hwai River as its outlet to the sea. With the immense quantities of mud which it carries, the Yellow River soon silted up the old bed of the Hwai, so that whole region was above the level of the Hung Tse Lake through which the Hwai flowed, and the Yellow River had to be dyked. Later, the Yellow River changed its course, and now enters into the sea hundreds of miles to the north of its old mouth.

The Hwai River was thus left stranded, and had to make its way to the sea through the grand canal and many marshy windings which are hardly adequate to take care of its ordinary flow. When a rainfall of sixteen to thirty inches in a couple of days occurs in its basin, as it did last year, or when the same thing happens in the district silted up by the Yellow River, the result is the flooding of the whole region.

Such conditions have caused the floods and famines of the last two years and brought nearly two millions of people face to face with starvation. Mr. C. D. Jameson, the engineer sent out by the American Red Cross Society, has reported that a mouth can be provided for this river, and future famines averted by a great engineering scheme.

Meanwhile, although the river has no mouth, the people living along the banks have, and nearly two millions of them have been for weeks without proper food.

His Excellency Chang Chien, former president of the Provincial Assembly of Kiangsu, in which province Shanghai is located, and Minister of Agriculture and Industry in the cabinet of the provisional republic, has been for many years interested in the problem of reclaiming the Hwai River Valley, where for many years famine conditions have been almost continuous, and nearly two million people are now facing starvation.

He has trained a number of Chinese as surveyors, and under his direction great progress has been made in the survey of the waterways of North Kiangsu.

He is pledged to its reclamation as part of his life work, and with him is co-operating the engineer sent out by the American Red Cross Society, Mr. C. D. Jameson. A number of Chinese engineers have volunteered to help in this work, and it is policy of the Central China Famine Relief Committee to give food, to those able to work, only in return for labor on dykes and canals of a sort that will fit into the larger plans which are being formulated.

The Central China Famine Relief Committee is putting into operation in China the "Test Works" plan of investigating famine conditions as developed by the British Government in India.

The Hon. G. G. White, chief engineer of the Public Works Department for Burmah, thus describes the plan: "In order to know where and when to open famine relief works, test works are opened in the scarcity tract, which immediately make clear whether famine relief work is really required. Often it happens the people from the nearest villages come into the works, stay a few days, find that they must work hard, and leave—plainly showing there is no real famine. If they remain, and recruits keep coming in, they are taken care of by extending the work."

This plan is being put into operation in the Ningpo district and will be used elsewhere wherever any question is raised as to real need for famine relief. In most places, however, the desperate need is beyond question.

In India there has often been great difficulty in finding suitable work to do, and much of the work done by the Government in relieving famine has been of a useless nature. In China there is an abundance of work to be done in repairing dykes and digging canals which will be of permanent value in preventing future floods and famine. —*The Far Eastern Review.*

FAMINE RELIEF.

Once again the Central China Famine Relief Committee has issued a report on the famine conditions in North Kiangsu and North Anhui, and the steps that are being taken to deal with them. During the past winter the revolution, while it increased the distress, probably decreased the attention bestowed upon it, while there may be some who believe that the establishment of the new Government has done away with the urgent need of external assistance in the work of relief. The committee points out in the report, copies of which are being sent out to Shanghai property owners, that the financial condition in which the Chinese Government finds itself at the present time makes adequate help almost impossible. Only about 10 per cent. of the suffering, according to the estimates of workers in the famine area, is now being relieved, and the need for more money is therefore urgent. In North Kiangsu the superintendent of the committee's work reports that conditions are worse, and that at a distance of only a few hundred miles from Shanghai 800,000 people are facing death from starvation; and though in North Anhui the distress is described as less acute, quite 300,000 helpless persons are believed to be in the same pitiful state. More hopeful news comes from the Yangtze Valley, where, however, the repair of the breaches caused in the dykes by last year's floods is essential, if the rice crop, valued at 20,000,000 tls., is not to be lost. The active work of relief has been going on for a month, earlier work having been rendered impossible by the disturbed state of the country. Even now adequate police protection is not always to be secured, but the committee decided that a

certain amount of risk must be taken, so great is the distress. The committee is continuing its policy of giving relief in return for work, and 40,000 men are now being employed, this number representing relief to about 160,000 of the population. But if the work is to go on and to be extended more money must be forthcoming, for the balance sheet shows that the funds are on the point of being exhausted. The committee is now making a special appeal to the Shanghai community which, acording to the report, "has not yet responded in any large way to the needs of these hundreds of thousands of people that are facing starvation in this province." It is to be hoped that that appeal, supported as it is by evidence not only of the distress but of the committee's energy in attempting to alleviate it, will not be made in vain.

COLONIZING THE CHINESE.

Not for a long time has the public of Shanghai and of the Yangtze Valley generally been so interested in any enterprise for the benefit of Chinese as that inaugurated at Nanking under the title of the Bailie Colonization Scheme, and it is with the results now forthcoming and those still to be seen that interest is well placed. To realize fully the working of the scheme and the beneficent outcome which may be expected in years to come, a visit to the spot is almost necessary. Such a visit would not fail to carry conviction, for within the course of the past few months a transformation has been effected on land which for long lay waste, and for the future a still greater transformation may be anticipated. An inspection of the work carried on under the colonization scheme, made the other day in company with Professor Bailie, the originator of the idea, and H. Cooper, the honorary secretary, showed that the expectations which were held of a successful start and the foundation of sound working are being borne out, and inquiries upon the subject of the work in hand make clear the clamant necessity for what has been and is being done upon lines such as these, as well as for continuous development. A month or two should begin to show the fruits of the work, the state of which may be gauged from the description given below.

THE ORIGINATOR.

Prof. Bailie, the originator of the scheme, is a most interesting man to meet and to discuss the work he has inaugurated. He is an Irishman who has been over twenty years in China, and it may be mentioned that for years past he has been endeavoring to formulate some such scheme as the one now launched. In thinking out the plans he has had the advantage of an early training on a farm in Ireland, and the experience of the crops and agriculture generally thus gained, combined with a study of the conditions in China, has shown how it is possible to make a start on this sound basis.

It is unnecessary to go into figures of what the famines have done to wreck the homes of industrious Chinese peasants, sweeping them off their farms, in some cases to drift toward the cities in the hope of picking up a precarious living at whatever offers, in others to throw them upon the bounty of the relief committees which have been formed. A note or two may, however, be made upon the situation thus created. One effect of the distribution of relief—and this is not confined to China, but experience has shown it to be the same all the world over—is to pauperize so many of these people. Where they can obtain relief without working they flock, with the inevitable result that many lose all inclination to do a hand's turn. This can be met only by the starting of relief works, and these would have to be on an enormous scale to meet the conditions.

Then take the case of the others. Studying the conditions in Nanking, Prof. Bailie has found that the come pouring into the city, and probably try to gain a living as ricsha coolies. The demand is hopelessly inadequate to meet the supply, in prosperous times they earn no more than a bare living, when trade falls off they subsist upon a miserable amount of food, and death is not slow to carry them off. These phases of the situation have called for close attention, and there is no question but that if this excess of supply could be drafted away to the unoccupied land, as is now being tried, relief would ensue all round. Prof. Bailie has given all these matters the most careful consideration, and now that a start has been made in the direction of colonization, he is confident, and most people will agree with him, that if for the future it is carried to a successful conclusion, better things may be looked for by such unfortunately placed people.

PURPLE MOUNTAIN.

It may be remembered that from time to time during the past two years shiploads of famine stricken peasants have been sent to Manchuria and settled on the land there. To a very large extent, however, the Chinese dislike leaving the district of their birth, and it was this factor which led to the attempt to obtain land at Chuchao, which borders on the famine stricken districts of north Kiangsu and Anhui. For the time being difficulties have supervened against making a start there, so that for this year the colonization scheme will probably be confined to the environs of Nanking, where at times so many of the destitute have gathered. Upon the slopes of Purple Mountain, historic now through the siege of Nanking, Prof. Bailie has the beginning of his colony, and under his care the colonists are learning to employ land which formerly none seem to have thought of touching, or, if they did, had not the capital to touch.

But for the reverence paid to graves in China, it is well nigh impossible to understand why the Chinese have never cultivated the ground here. Never is perhaps too sweeping a term to use, but at any rate in the memory of man and probably for many generations, they have not utilized this soil for agricultural purposes. From Purple Mountain for miles toward Chinkiang the land lies unused, covered by a coarse kind of grass and other vegetation, yet Prof. Bailie is now showing that it is well suited for the crops which he has sown. He says that in the days when he was farming in Ireland they produced crops upon infinitely inferior soil, and that is not hard to believe, for things are making the utmost progress.

Along the foothills the land undulates, but higher up the slope becomes considerable. The side of the mountain where he has his colony has a southern aspect, and differs in character from the northern slope which overlooks the Ming Tombs. Here the ground is rocky in places and generally covered with stones, but there is no necessity to touch this part. His ground is rich and fertile, and where he has made the arrangements for the planting of trees snow lies long enough in the winter for their needs.

AN INDUSTRIOUS COLONY.

Reached by a walk from the Taipingmên, the colony starts from the edge of the rugged pathway. A building here does duty for a school, which has been found to be a distinct acquisition in many ways. Then the ascent starts, and the visitor finds himself surrounded on either hand by plowed fields. The pathway to be followed leads round under one of the shoulders of the hill, and a small collection of huts comes into view. Of the most diminutive size and constructed of mud or stone where that is available, these huts accommodate the first settlers on the land. Over the colony are groups of these, but they do not house all the workers, a number living in the city. For the most part they are farmers driven off their lands by the floods, so that under Prof. Bailie's guidance they take naturally to the work in hand. Along the foothills they have turned over and furrowed the grounds, sown the seeds, and now the crops are making a show above earth.

Over a very large area potatoes have been planted, and in favorable patches there are strawberries, all apparently doing well. As regards the growing of potatoes Prof. Bailie has found that the Chinese have little hesitation in eating them; in fact, they tried to eat the seeds. But although they may be regarded as a foreign product, not so palatable to the natives as their beloved rice, a market is assured for them, and it may be mentioned that inquiries have been made for the purchase of the crop. This is as satisfactory as could be. For the strawberries, it goes without saying that an unlimited demand exists.

From various sources saplings have been contributed to the scheme, in addition to what have had to be purchased, and up the steep slope leading to the round fort on one of the peaks of the mountain many have already been planted. Apple, pear, peach, persimmon and other trees are in the ground, and higher up the space has been made ready for the reception of others. Here will also be a small forest of firs, which will shade the lower plantations. For years the hills have practically been denuded of trees, but it is not so very long ago since the last were cut down. The work on these trees will naturally be slower than in the case of the vegetables, but with normal conditions these slopes should in time be wooded, and the rest of the work going on steadily, waste should give way to prosperity.

One feature of the colony which is well worthy of note is the keenness of the Chinese settlers and their own enterprise. In addition to the work they have done under Prof. Bailie's instructions, they have here and there opened up patches of ground for themselves and started their own vegetable plots. It is an excellent sign, and shows that they are eager to do the best they can to help themselves.

FOR THE FUTURE.

The successful exploitation from an agricultural point of view of this land should stand as an object lesson to the Chinese authorities, and in the interests of the famine stricken areas the scheme calls for a fair trial. What has already been done, it must be remembered, is only a beginning. On unoccupied ground of the same class within the city Prof. Bailie has experimented with the cultivation of cereals, and here again he has met with success. As the land is cleared to a greater extent at the base of Purple Mountain other crops will be tried, vegetables of various kinds, wheat, barley, etc., and while some of the crops must be in the nature of an experiment, the success of others is assured.

The colonization of these and other lands presents a huge task, but it would seem to offer a solution in part to one of the greatest of China's problems, the relief of the yearly misery caused by the floods. It requires no small amount of courage to attempt to cope with the matter, but here a start has been made, and once it is proved that the ground will yield a return, it will be the duty of the Chinese Government, aided by the experience of the foreigners in the country, to push the matter forward as one of vital necessity, always remembering that "ill fares the land * * * where wealth accumulates and men decay."

AUSTRALIAN WHEAT IN MANCHURIA.

Samples of the Australian wheat purchased by the Russo-Flour Milling Co. for its mill at Vladivostok, as reported in *Daily Consular and Trade Reports* for March 12, have been received at Harbin and have considerably interested the Chinese farmers, due to the excellent appearance of the grain, which is large, round, light-yellow in color, and uniform in size, being unmixed; and it is believed that orders will be sent to Australia for seed. The cost of the wheat delivered at the mill was $35.97 per ton of 2,000 pounds. The average price of Manchurian wheat in Harbin during 1911 was only $19.40 per ton of 2,000 pounds, but the necessity of importing at such a high price may be partially accounted for by the fact that the Australian wheat is of better quality than the best Manchurian wheat, but is principally due to the shortage of the Manchurian wheat crop on account of floods, and also of the heavy calls made on the wheat stores by the famine in Western Siberia and the unusually large requirements of the Amur Railway. Had the stocks of Manchurian wheat been drawn upon for the Vladivostok mills, the supply would soon have been exhausted, or the price forced to a prohibitive point, and in either case the mills at both Harbin and Vladivostok would have been shut down had not foreign wheat been imported.

THE YELLOW PERIL.

By J. O. P. Bland.

It is one of the penalties of the struggling materialism of the Western world, where nations of shopkeepers under armed guards worship their golden calves, that such ease and comfort as we enjoy must ever be marred by apprehensions of impending danger. To rouse us from the insidious sloth that is born of luxury and long periods of peace, our sentinels and our prophets must be forever pointing to the horizon where, no bigger than a man's hand, hovers the cloud that shall presently burst upon us. Indeed, so many are the points from which danger threatens the prosperous modern State, so keen the vision of the apprehensive watchers, that many a peaceful citizen opens his morning paper in nervous expectation of Armageddon. Wealthy England, dependent for her very life on command of the seas, is become particularly subject to war scares and alarms. As in the days of Bonaparte, the fear of invasion is an ever-present reality. A hundred years ago our bugbears were comparatively simple; today the world's ever increasing economic pressure and huge burden of armaments, the effect of sensational journalism on the imagination of town-bred masses, the swift action and reaction of political events in all parts of the earth; in a word, the struggle for life under conditions vastly modified by science, has induced in the civilized world a chronic condition of nerves, so that each nation goes to its day's work with a loaded weapon and a wary eye on its neighbors. England's eye is on Germany, America's on Japan, Spain's on France— each nation busy the while with its predestined business of annexing unprotected portions of the earth. Yet, at the menace of some new and strange bogey, like the Yellow Peril, these antagonists will run and huddle together, their feuds for the moment forgotten, in a common instinct of self-preservation.

It is a poor bogey at best, this Yellow Peril, bred by ignorance out of a bad national conscience; a bogey that must stand confessed a tatter'd boggart in the light of ancient history and recent experience: yet a phantom that has served, and should serve again, many a politician's turn. The modern world fears, even while it seeks, these grisly phantoms which make its comfortable flesh creep, and in the Yellow Peril the fervid imagination of yellow journalists has found a perennial source of thrills and shudders. Preaching from the text of Japan's military achievements, they have assumed for all Asia a vivifying community of interests and ideals, attributing to the patient pacific millions of India and China a sudden and complete change of all their inherited tendencies, beliefs and institutions. They forget that these inherited customs and beliefs constitute the very soul of a people, the essence of its national life; they ignore the fact that the Spartan qualities of endurance and energy which animate the statesmen and warriors of unconquered Japan are the ripe fruit of long centuries of training and sustained ideals; and, forgetting these truths, they hear, in the intellectual and emotional ferment of India and China the rumble of the distant drums that shall lead new conquering hordes to the overthrow of Europe's civilization. Not from the barren mountain lands of Turkestan and Manchuria, as of old, are to come the fierce invading hosts, but from the long-gowned peaceful peoples of the great plains, from those races whose philosophy and ideals have made them through long centuries, the unresisting victims of invasion and tyranny.

It is a fantastic dream, reflecting, no doubt, the eterna and unbreakable spell of the Orient over the West, the unconscious reverence that materialism pays to intellectual dignity, but wholly lacking, nevertheless, in historical sense and recognition of fundamental conditions. For it is impossible, considering the actual and historic facts of Asiatic life, to assume for the East that unity of purposes and ideals which is the basic assumption underlying the Yellow Peril: as impossible as to imagine an effective coalition of Western Europe against North or South America. The stern law of nature and evolution, which prescribes the survival of the fittest, is not suspended in Asia; there are predestined hewers of wood and drawers of water among its peoples today as in the time of Joshua —a fact emphasized by the recent history of Korea. Neither patriotic student, politician, nor fervent idealist can take from Asia, by any incantation of new formulæ, her deep-rooted instincts and beliefs, bred of long centuries of isolation, of the Confucian philosophy and Buddha's contemplative creed—instincts and beliefs that have made the whole inspiration of Oriental philosophy and civilization essentially non-aggressive, and have made the Chinese, in particular, a race of passive resisters. Neither warrior class nor code of chivalry exists in China, like that of *bushido* in Japan, to temper the hereditary servility of the masses with precepts and examples of loyalty, valor and endurance; and the recent manifestations of political and social unrest among the educated classes reveal but little hope of national unity and cohesion for the future. By all precedents and principles of history, it must require several generations of patient educative process to develop in the Chinese people the qualities requisite for military and administrative efficiency.

The Manchu tribute-eaters have gone their ignominious way to obscurity; Sun Yat-Sen and his following of book taught theorists have proclaimed the dawn of a new era in the Chinese Republic; and already, amidst the tumult and the shouting of leaders who have not learned to lead, the North is ranging itself against the South in rivalry, while Mongolia looks towards Russia for protection, Thibet casts off her allegiance, and Manchuria prepares to follow Korea on the path of geographical gravitation.

Nevertheless, and in spite of all these things, the Yellow Peril bogey continues to oppress the imagination of the Western world: this persistent vision of the Chinese race roused from its long lethargy, and feverishly arming itself

for wars of conquest and revenge. It is a ghost that refuses to be lightly laid. Only a few weeks ago the British Press, gravely discussing the decision of the National Assembly at Nanking to introduce national conscription (they might as well have decided to introduce the minimum wage), estimated China's standing army of the near future at forty millions of men. Some of the most critical and competent of recent observers have succumbed to this obsession, and to that tendency towards generalization which seeks a common battle-cry for India, China, and Japan. Professor Reinsch, for instance, whose scholarly work on "The Intellectual and Political Currents in the Far East" deserves more than passing attention, has studied the history and literature of China sufficiently to realize and to declare that "no more fantastic idea has ever played a part in serious politics than that of the military Yellow Peril." He knows that "the traditional temper of the Chinese is eminently pacific and quietist." Yet he apparently ignores the results which follow naturally from the emotional and idealistic qualities of this word-spinning people—qualities which greatly detract from the ostensible importance of its Imperial Edicts and other official pronouncements. Because of the vigorous wording of the Edict of April, 1911, on military reform, he is led to believe, in spite of his own convictions, that:

"Today we are witnessing the awakening of this vast people to new energies and to more active conduct of affairs. Peaceful China, the land of non-assertion, is fast becoming military. The ideal of national energy, efficiency and strength expresses itself in all public utterances. Great sacrifices are made for military preparation, and throughout the provinces even the children in the schools are put into uniforms and trained in soldierly fashion."

And, in another place, that:

"The idea that evils are to be borne, or at most resisted quietly, has largely passed away, and in its place has arisen the belief that only through positive heroic action can the troublesome problems of national life be solved."

At a time when the masses of the Chinese people are submitting, with traditional apathy, to being harried, plundered and slaughtered by the forces of that republic which delivered them from Manchu tyranny, the irony of this infectious idealism is apparent. Fascinated by the spectacle of the splendid enthusiasms and iconoclastic zeal of Young China, Professor Reinsch, like many others, forgets the vast gulf which, in this land, divides words from deeds—the making, from the keeping, of laws. And so he believes in the vision of a national army, efficiently organized and regularly paid—a vision as chimerical as the scheme for refunding China's national debt by patriotic subscriptions, or the Nanking Amazons' demand for female suffrage.

In expressing this opinion, I have no desire to convey the idea that the Chinese are utterly deficient in military virtues, or that, properly led and regularly paid, the Chinese soldier is incapable of bravery, endurance, and discipline. The experience and opinions of British officers and military critics is practically unanimous in recognizing that in physique, intelligence, and courage of a stolid kind, the peasantry of several provinces provides excellent material; but just as it requires something more than intelligence and enthusiasm to make an efficient administrator, so something more than able-bodied and adaptable men are needed to make a nation in arms. The qualities lacking alike in Chinese administrators and soldiers are essentially moral qualities. This is what Gordon meant when, fifteen years after his unique experiences as a successful organizer and leader of Chinese troops, he recorded (in a memorandum prepared for the government at Peking) his deliberate opinion that they could never be successfully pitted against European armies. He who had witnessed much desperate fighting between Imperialists and rebels—much the same kind of fighting as was seen at Wuchang in November last—realized, nevertheless, that the race as a whole, and particularly its leaders, are lacking in the moral qualities and Berserker instincts that distinguish a fighting race. When, in 1874, he warned China against going to war with Russia, he amplified his advice by recommending that for the future she should avoid incurring useless expenditure on warships and guns, because her possession of these things would probably arouse the cupidity of aggressors and she would be despoiled—advice of which China has since had cause to appreciate the wisdom. Gordon knew the Chinese soldiers of the South, even as the British officers of the Wei Hai-wei regiment learned to know and to appreciate the hardy hill-men of Shantung; but while appreciating their several good qualities, and recognizing the possibility of their development in good hands, he failed to see in the Chinese dragon any signs of the fierce and formidable beast which has since been evoked to trouble the peace of the West. He knew that large purchases of armaments and paper schemes of reorganization do not make a national army, and that fiscal reform (then, as now, a task beyond the unaided resources of China's rulers) must precede military efficiency. This indeed was the opinion formed by the most competent observers among the military attachés who witnessed the last manœuvres, held in the autumn of 1908; and it has been justified by the complete lack of discipline and organization revealed since the collapse of the Manchus. It would be difficult to say how much of the Chinese army remains at the present moment of the 240,000 men who figured on the roster of the thirty-six divisions of the Lu Chün last autumn. At the outset, divisions, brigades, regiments and battalions became hopelessly entangled—sheep without shepherds. Units were sent to the front and wandered back to their headquarters; some were disbanded, others disbanded themselves; some declared for the Republic, some for the Imperial cause; others for Yuan Shih-k'ai or Li Yuan-hung, or General Chang, or General Li, their choice depending generally on prospects of pay; but to all, as time went on, came realization of the fact that every body of armed men might with impunity hold lootable cities and citizens at their mercy. And with this knowledge, the army and the military police have become, in many places, a disorganized and predatory rabble. The craze for loot has proved stronger than any appeal of patriotism or discipline.

The tendency to exagerate the military forces and efficiency of China in recent years may be traced to a variety of causes.* Of these the most important lay originally in the deliberate policy of Chinese diplomats and officials, a policy clearly intended to create and maintain the idea of China feverishly arming on a gigantic scale, with a view to the intimidation of possible aggressors. With the dramatic conversion of the Empress Dowager to reform in 1902, and the appearance on the scene of a new class of military officers educated in Japan, serving in their turn as instructors, it was not difficult to increase the foreign drilled forces of the Empire, actually and prospectively, so as to give color to the belief that the Chinese military administration was rapidly approaching the European standard. Fired by enthusiasm for Japan's victories over a great European power, Chinese patriots and officials spoke cheerfully of the enrollment of a standing army of 2,000,000 men within the next few years, and European publicists, fascinated by the vision of the awakening giant, took up the text and illuminated it with much fervor. "Putnam Weale," writing in 1905, while admitting the absence of competent leaders and healthy finance, expressed belief in the "wholesale reorganization and rearmament of the Chinese army," and foretold that in five years China would possess an effective peace footing force of 360,000 men, and by 1915 would be able to put a million and a half into the field. "In ten or fiftten years," he said, "Japan's forces would be so outnumbered that she would not dare to attack her big neighbor." Four years before, Sir Robert Hart, anxious to make for China friends of the Mammon of political unrighteousness in the matter of the Boxer indemnity, had drawn an even more sensational picture of the awakened giant. "In fifty years' time," he declared, "there will be millions of Boxers in serried ranks and war's panoply at the call of the Chinese Government." This picture appealed forcibly to the Wagnerian imagination of the Kaiser, who saw, in the coming invasion of Mongol hordes, a Heaven-sent opportunity for the War Lord to lead the embattled hosts of a European coalition, with Germany at its head. Small wonder if the man in the street became impressed with the reality of the Yellow Peril.

Since her war with Japan, and particularly since the conclusion of the Russo-Japanese agreement, which foreshadows the partition of China's northern territories, Russia has professed increasing anxiety in regard to China's military preparations, and to the increasing numbers of Chinese colonists in Mongolia. Her apprehensions of the Yellow Peril are, no doubt, to some extent sincere; the Ministry of War at St. Petersburg in the autumn of 1910 recommended vetoing China's proposed construction of the Chinchow-Tsitsihar-Aigun Railway, as well as the alternative Kiachta-Urg scheme, on the ground that China would derive therefrom strategical advantages seriously menacing Russia's position.

*The population of China has been similarly exaggerated. It is continually stated to be 400,000,000, though the first and only attempt at a systematic census (1910) has shown it to be about 320,000,000.

How far these fears were shared by the Council of Ministers it were hard to say; but there has been ample evidence of a chronic condition of nervousness existing among the Russian military authorities in Siberia and Manchuria, nervousness of the unreasoning kind which led to the Blagoveschenk massacre of helpless Chinese in 1900, and to the Dogger Bank panic in October, 1904; caused, no doubt, by the instinctive idea that what one Asiatic race had done another may do. On the other hand, it must be borne in mind that Russia's forward policy in Manchuria after 1900 was persistently justified to the world by alleged fears of dangers from Hunghutzus, and her present attitude in regard to Chinese loans seems to point a recrudescence of that policy, facilitated by her understanding with Japan. It is improbable that either country really believes in the possibility of Chinese aggression, and their concerted objections to the "Four Nations" loans may therefore safely be ascribed to a desire to prevent the creation of foreign interests in Manchuria, rather than to any genuine fear of Chinese armaments.

Of Russia's foreign policy, ever influenced by the imaginative impulses and emotions of the personal equation, it is difficult to speak with any degree of certainty, but of Japan it may safely be asserted that no real apprehensions exist in that country with regard to China's alleged development of military strength. With eyes and ears wide open in every province, Japan's trained experts, military and commercial, can be under no delusions. In the long run, Japan, more than any other power, stands to profit by China's internal dissensions and helplessness; her policy in Manchuria has steadily reflected recognition of this obvious truth. At the same time, so long as maintenance of the integrity of China remains the ostensible purpose of the Anglo-Japanese Alliance, and so long as Japanese finances remain in their present condition, it behooves her to walk warily before the world; Russia, therefore, is induced to take the lead in proclaiming the right of China's nearest neighbors to supervise her borrowing activities and to limit her armaments.

Considering Russia's professed anxieties in the light of the actual situation at Peking and in the provinces, her diplomacy assumes a somewhat elementary aspect. Let us consider briefly the significance of that situation. The newly elected President of the Chinese Republic, himself a declared Monarchist by conviction, has recently suffered the humiliation of seeing the capital looted by the very troops whose discipline and organization have been continually cited as the best proof of China's military progress, the men whose unswerving loyalty to Yuan-Shih-k'ai had been assumed by nearly every European writer. The looters having vanished with their plunder, some semblance of order was restored at Peking, not by the foreign-drilled troops of the Lu Chün, but by the tribute-eating Manchu regiments whom the experts professed to despise. The spectacle of the President of the Republic suppressing the lawlessness of Chinese mutineers by the aid of Manchus and Bannermen is in itself sufficiently indicative of the chaotic condition of China; but another and even

more significant sight was seen when, on the occasion of Yuan's returning the British Minister's congratulatory visit, the streets from his residence to the Legation was guarded (at his request) by British troops, no Chinese being allowed to stand outside their houses. Yuan subsequently expressed his gratitude to the Foreign Ministers for their action in organizing patrols of European troops to reassure the plundered and terror stricken citizens. Significant, too, of the opinion in which foreign and Chinese troops respectively are held by the average mandarin, is the fact that the Legation quarter has become a common sanctuary and treasure house for the highest officials, Manchus and Chinese alike, seeking the protection of the foreigner against the Yellow Peril of their own creation. In the same way, Hongkong and the foreign settlements at Shanghai have become a safe place of refuge for thousands of Chinese who, when order is restored, will join once more in the patriot's agitation for the restoration of China's "sovereign rights" in the Settlements, and the abolition of extra-territoriality.

It is difficult to form any concise opinion of the fighting qualities, organization and morale of the Chinese Army from the accounts given, principally by writers resident in Peking, of the fighting between Imperialists and Republicans since last October, partly because these accounts are usually of Chinese origin, and partly because of the observers' bias of foregone conclusions. Descriptions by eyewitnesses of the fighting at Nanking and Wuchang, published for the most part in the *North China Daily News,* are more illuminating. But to get a comprehensive idea of the actual situation and to appreciate its bearing on the question of China's possible development of military efficiency, one must follow the accounts, published week by week in that paper, from missionaries and other correspondents resident in the interior. These writers naturally present the scene from many different points of view, and their conclusions vary from sympathetic optimism to the deepest pessimism; but the general impression which they create is that the Chinese army of the present and immediate future constitutes a serious menace to China's own well being, but little or none to her external foes. In the sense that China's weakness and disorder are a source of danger to the world, her undisciplined and loot hungry mobs of soldiery constitute indeed a Yellow Peril; and of late, with the disappearance of constituted authority and the loosening of the old ethical restraints, the army has realized its opportunities and its power.

Of the good qualities of the rank and file, of their powers of endurance, and occasional élan of enthusiasm, there has been ample evidence; but for proof of scientific organization, of efficiency, cohesion, esprit de corps, and trained intelligence among their leaders, we seek in vain. Here and there, amid the mass of cowardly, corrupt or incompetent officials, we find earnest and brave men like Li Yuan-hung, the Revolutionary leader, and General Chang Hsün, the Imperialist commander at Nanking. The latter appears, indeed, to be a fighting man of the stamp of Tso Tsung-t'ang; yet even his martinet authority proved insufficient to prevent his troops from looting the city of Hsüchoufu. But the number of energetic and efficient leaders has been insignificant, and their example has completely failed to stem the tide of general demoralization. Even at Nanking, where the loss of life on both sides was comparatively heavy, it was the rank and file who fought bravely, most of their officers displaying gross cowardice and incompetence. Repeated instances occur, in authentic reports from the provinces, of officers of the regular and militia forces using their positions for purely selfish ends, or lending themselves to the purposes of politicians and student agitators.

The military profession is no longer a thing of reproach in China; to be a soldier, as times go, is to enjoy opportunities which appeal to every man with a predatory lust or instincts of self preservation; therefore it is that everyone wears a uniform who can, and the number of irregular troops and police claiming arrears of salary is likely to increase rapidly with the tale of looted cities and the disappearance of all effective authority. It is not pleasant to contemplate the prospects that, under these conditions, confront the defenseless traders and peasantry of the interior. For the craze for loot has spread like wildfire and become epidemic; from all parts of the country comes the same pitiful story of the systematic and businesslike despoiling of peaceful citizens by licentious soldiery. Peking, Tientsin, Paotingfu, Hangchow, Soochow, Fouchow, Canton, Ninghsiafu Taianfu, and many other cities have suffered, without resistance, all the pains and penalties of civil war; and the end is not yet. From Sianfu comes one of the most astounding of all these pitiful tales of unrest. Telegraphing on the 22d of March, Reuter reported that the Kansu army (Loyalist Mohomedan troops, under General Sheng Yün, professedly marching on Peking to restore the dynasty) had arrived at Sianfu, the capital of Shensi. The Chinese garrison of Republican troops, "fearing that the Mahomedans would loot the city, began looting it themselves; whereupon the Mahomedans retired." Yet these are the forces whose pay is to be provided, for the salvation of China, by means of huge foreign loans! And while these things are taking place all over the country, the National Assembly continues solemnly to proclaim the advantages of Republicanism, and self-governing societies in every provincial capital discourse of progress and prosperity. Despite its dominant note of grim tragedy, the situation is not without humorous aspects.

Considering the question of the Yellow Peril, however, as a matter ultimately dependent upon the military instincts of the Chinese people, is is interesting to observe that, in the opinion of experts, the balance of efficiency and courage rests so far with the Northern troops. Had it not been for the inefficiency and vacillation displayed by General Yin Chang, Admiral Sah, and the high authorities at Peking; had the Imperialist troops been allowed to follow up their victories, it may fairly be assumed that the rebellion in the Yangtsze provinces would have been quickly stamped out; but incompetent or disloyal leaders, truces, delays and the ignominious with-

drawal from Wuchang, led to discouragement and the rapid growth of indiscipline and lawlessness.

A noteworthy feature of the fighting at Nanking was the superiority of the Shantung and Chirli men as compared with the Hunonese regiments of the Imperialist forces. Many competent critics in recent years have been led to the conclusion that the high military reputation of the Hunanese was founded rather on noisy professions than on any performance of valor. I remember discussing in 1892 the business of warfare with a Hunanese private of the garrison of Shanhaikuan, and his frank declaration that the profession of arms was well enough in times of peace, but that no sensible man would incur serious risks of being killed on a salary of fifteen shillings a month. An eyewitness of the fighting which took place during the investment of Nanking in November last tells a tale which shows that this worthy man's opinions were not an isolated instance of discretion, and that the average Hunanese has no desire to go to his grave for any fantasy or trick of fame. The batteries on Lion Hill, manned by Hunanese Imperialists, had for some time been engaged in an artillery duel with the Republicans on Tiger Hill, without apparent damage to either side. Inquiries into the cause of this futile expenditure of ammunition elicited the following explanation, which may well be given in the correspondent's own words:

"It appears that the Imperialist artillerymen on Lion Hill were also men from Huan, and that after the capture of Tiger Hill by the Republicans a mutual agreement had been come to by the men in the two forts that neither party would materially damage the other. Accordingly, for some days the shells went wide, some short, into the hillsides away below the guns, and some high over the top of the crests. Then one day the Imperialist General, Chang Hsün, was watching the shooting in person from Lion Hill, and by the evidence of his own eyes grasped the fact that something was wrong. The range was a comparatively easy one of 3,800 yards, and instead of nearly every shot being a hit, as it should have been at that distance, very few of them were going anywhere near the target at all. Without more ado, Chang Hsün threatened to decapitate two of the eight inch gun layers there and then on the spot, and he promised that divers still worse penalties should follow for the remainder if the shooting didn't improve forthwith.

"So it came about that, in order to save their necks, the gunners on Lion Hill began to make things unpleasantly hot for their fellow provincials on Tiger Hill, with the result that the latter, thinking that they had been deceived by their friends the enemy, began in their turn to shoot as straight as they knew how. This state of affairs continued for the best part of a day, until the true reason for the apparent defection of Lion Hill was brought in by the spies.

"Thereupon through the same agency a new scheme to prevent mutual injury was devised. It was simply that a defined interval, said by the men to be about a minute of time, should always be allowed to elapse between the firing of a gun and the answering shot from the other side. This would give ample time for the crew of the gun which had last fired to clear out of harm's way downstairs into the bomb-proof shelter below the concrete emplacement. Honor and General Chang Hsün would seemingly thus be satisfied, and all chance of unpleasantness, which neither party in the least desired, would thereby be avoided. Apparently the plan worked well, as after its adoption no casualty occurred on either side."

On the other hand, the Chekiang regiments which took the leading part in the Republican assault and capture of Purple Mountain showed a fine courage. Yet these same troops, upon their return to Hangchow at the end of March, mutinied and threatened to burn their General's yamen.

Every day's experience of the Revolutionary movement justifies the conclusion that the Chinese, as a race, retain their instinctive aversion to fighting for fighting's sake, although, given good leaders and stern discipline, the inhabitants of certain regions (notably hill men) are capable of making good troops. Every day's experience shows also that many long years of educative processes must elapse before the nation can produce the leaders and the spirit of discipline to make the Chinese army the formidable host of the Yellow Peril prophets. A new spirit has been aroused, beyond all question, among the educated classes of China; a spirit of vigorous, almost defiant, nationalism, which chafes under China's humiliations; which seeks, through political and social reforms, to put from her the reproach of weakness; but, in the absence of an organized, self-respecting and productive middle class, there can be no immediate prospect of their attaining the height of their ambitions or the fulfilment of their dreams. Intellectual activity of no mean order is theirs, and many good qualities; but the moving spirits of the present unrest have failed collectively to display the discipline, constructive ability and personal integrity requisite for efficient organization of the body politic. In the present ferment of iconoclasm, and all its resultant lawlessness, lies the real Yellow Peril—for a weak and disorganized China means the danger of chronic unrest in the Far East.

Another and equally real Yellow Peril lies in the pressure which these millions of thrifty, patient toilers, inured to the sternest privations, threaten, sooner or later, to bring to bear upon the economic and industrial equilibrium of the Western world. Thoughout their long history the Chinese have seldom been obsessed by dreams of expansion and conquest, but they have repeatedly denationalized and overcome their conquerors. Their ready adaptability to environment, untiring industry, skilled craftsmanship, and unconquerable power of passive resistance have never been equalled by any race of men, unless it be the Hebrews. America and Australia have felt, and guarded themselves against, the menace of this pressure of seething humanity. Its effects, and the hopeless inferiority of white man against yellow in the grim economic struggle for life, may be seen today in the Straits Settlements, the Dutch Indies, and the islands of the South Seas, in the Treaty Ports of China, and the Russian railway towns of Manchuria. Where white man and yellow live and work side by side, the balance of economic power passes slowly but surely into the hands of the Asiatic. Within the memory of man, the wealth of the Straits Settlements and Hongkong has gravitated to the Chinese; already, at Harbin and Tsitsihar, in Chinese territory, Russian railway porters are cheerfully carrying the baggage of first class Chinese passengers. If there be any menace to Europe in Cathay, it lies in the fierce struggle for life of three hundred million men who are ready to labor unceasingly for wages on which the white races must inevitably starve.—*The Nineteenth Century.*

"MY REMINISCENCES."

By Sun Yat-Sen

The following article, taken down from Sun Yat-sen's own lips for *The Strand Magazine,* and signed by him, is the first complete statement of his career up to the time of his last leaving England that has ever been published. It will serve to correct many errors and misstatements concerning him which have appeared in the press of two continents:

Up to the year 1885, when I was eighteen years of age, I had led the life of any Chinese youth of my class, except that from my father's conversion to Christianity and his employment by the London Missionary Society I had greater opportunities of coming into contact with English and American missionaries in Canton. An English lady became interested in me, and I learnt eventually to speak English. Dr. Kerr, of the Anglo-American Mission, found employment for me, and allowed me to pick up a great deal about medicine, for which I had a passion. I believed I saw a useful career before me as a physician amongst my countrymen,, and no sooner had I heard that a College of Medicine was to be opened at Hong-Kong than I instantly presented myself before the Dean, Dr. James Cantlie, and enrolled my name as a student.

There I spent five happy years of my life, and in 1892 I obtained a licentiate's diploma entitling me to practice in medicine and surgery. I cast about for a place to which I could go and settle, and decided to try my fortunes in the Portuguese Colony of Macao, on the Canton River. Up to this time I cannot say I had taken any special interest in politics; but it was while I was struggling to establish myself at Macao—and my struggles were desperate, owing to the prejudices of the Portuguese doctors—that I received a visit one night from a young merchant about my own age, who asked me if I had heard the news from Peking—that the Japanese were coming. I said I had heard little of it, except from the English.

"We are all kept in such ignorance. It is a great pity," I added; "the Emperor should trust the people more."

"*Tien ming wu chang*" ("The divine right does not last for ever"), said my friend.

"True," I rejoined, "and Heaven hears through the ears of my people"—quoting our sacred writer, Shun.

That evening I enrolled myself a member of the Young China Party. All the world now knows of the evils which had for so long beset my country. But the chief curse under which we suffered was ignorance. We were not allowed to know anything that was happening, much less to take any part in the Government. To me, constantly mixing with Europeans and tasting of their freedom, this state of things was intolerable. Meanwhile, after much struggling at Macao to secure a paying practice, I was obliged to take down my sign and remove to Canton. Then came China's crushing humiliation at the hands of Japan in 1894. I formed a branch at Canton of the Kao-lao-hui, and flung myself into the work. Converts speedily began to flock about me, and a mandarin, meeting me one day, said:

"Sun, you are a marked man."

"How so?" I asked.

"Your name has gone to Peking. You had better be careful."

Only one circumstance then saved me. The news came that the Emperor, Kuang Hsu, had awakened from his lethargy and, in spite of the Dowager-Empress, was inclined to favor our reforms. I instantly drew up a petition, obtained hundreds of signatures, and forwarded it to Peking.

For a time its fate and our own hung in the balance. Then something happened to concentrate the attention of the Court upon us. The Cantonese soldiers enlisted for the Japanese War were disbanded; but, instead of going back to work, they threw in their lot with us. Besides this, a body of special Canton police grew restless, and, unable to get their pay, took to plundering the town. A mass meeting of the inhabitants was called, and a deputation of over 500 men went to the house of the Governor to protest.

"This is rebellion," cried the Governor, and immediately ordered the arrest of the ringleaders. I escaped. It was my first escape, although I had many adventures of the kind soon afterwards. Finding myself out of the clutches of the authorities, and anxious to rescue my less fortunate colleagues, we drew up a bold plan, for which the time now seemed ripe. Briefly, it was to capture the city of Canton, and hold it until our petition had been heard and until our wrongs, including fresh taxation, were redressed. To do this it was necessary to get the aid of a large body of Swatow Province men, who were equally discontented. We had daily meetings of the Reform Committee, and accumulated quantities of arms and ammunition, including dynamite. Everything was arranged; all depended on the passage of the Swatow soldiers across country—a distance of more than a hundred and fifty miles—to their juncture with us and a contingent from Hong-Kong at the given moment. At the appointed time I sat with my friends in a certain house, outside which we had stationed a hundred armed men, while we had between thirty and forty messengers penetrating into all quarters of Canton to warn our friends to be ready early next morning. All seemed going well, when a bomb-shell exploded. It was a telegram from the Swatow leader addressed to me:

"Imperial troops on the alert. Cannot advance."

What were we to do? It was on the Swatow army that we depended. We tried to recall our scouts; we sent telegrams to Hong-Kong. In vain; the contingent, four hundred strong, had left by steamer, carrying ten cases of revolvers. Our conspirators took alarm, and then commenced a scene of confusion, as everyone who could fled before the storm. All our papers were burned and our arms and ammunition buried. I spent several days and nights a fugitive hiding in the pirate-haunted canals of the Kwangtung delta, before I managed to get on board a little steam launch, whose owner I knew. On reaching Macao I had the pleasure of reading a proclamation offering ten thousand taels for the capture of Sun Wen (myself), and of hearing that a body of police had met the Hong-Kong steamer and promptly arrested all on board. So ended the Canton conspiracy of 1895.

I passed only a few hours at Macao, where I met my old colleague, who said to me: "Well, Sun, you're in for it now."

To which I replied: "Yes, I've begun the work. You remember what you said—*'Tien ming wu chang.'*"

At Hong-Kong my safety was hardly more assured, and on Dr. Cantlie's advice I went to see a lawyer, Mr. Dennis, who told me that my best protection was instant flight.

"Peking's arm, though weaker, is still a long one," he said; "and in whichever part of the world you go, you must expect to hear of the Tsung-li-Yamen."

Fortunately, friends provided me with funds, and here I must mention the constant fidelity of well-wishers to the great cause I have all these years endeavored to promote. They have never failed me. But then, fortunately, apart from traveling, my wants are few. I have often for weeks together lived on a little rice and water, and I have journeyed many hundreds of miles on foot. At other times I have had difficulty in refusing the large sums placed at my disposal, for some of my countrymen in America are very rich, generous, and patriotic.

At Kobé, whither I fled from Hong-Kong, I took a step of great importance. I cut off my queue, which had been growing all my life. For some days I had not shaved my head, and I allowed the hair to grow on my upper lip. Then I went out to a clothier's and bought a suit of modern Japanese garments. When I was fully dressed I looked in the mirror, and was astonished—and a good deal reassured—by the transformation. Nature had favored me. I was darker in complexion than most Chinese, a trait I had inherited from my mother, for my father resembled more the regular type. I have seen it said that I have Malay blood in my veins, and also that I was born in Honolulu. Both these statements are false. I am purely Chinese, as far as I know; but after the Japanese War, when the natives of Japan began to be treated with more respect, I had no trouble, when I had let my hair and mustache grow, in passing for a Japanese. I admit I owe a great deal to this circumstance, as otherwise I should not have escaped from many dangerous situations. Japanese themselves always have taken me for one of their countrymen. Once when I was being shadowed in a public place, two Yokohama men accosted me. Unhappily, I do not know a word of Japanese, but I pretended for a few minutes that I did, in order to put the spy off the scent.

A similar experience befel me in Honolulu, where I spent six months after leaving Japan. I found many of my countrymen there, and they received me with open arms. They knew all about my exploits, and they also knew that a big price was placed on the head of the notorious "Sun Wen." In the town of Honolulu I held a sort of *levée* every day, and I received letters and reports from my friends, the members of the Reform Party, the Kao-lao-hui. Thence I went to San Francisco, and enjoyed a sort of triumphal journey through America, varied by reports that the Chinese Minister to Washington was doing his utmost to have me kidnapped and carried back to China, where I well knew the fate that would befall me—first having my ankles crushed in a vice and broken by a hammer, my eyelids cut off, and, finally, be chopped to small fragments, so that none could claim my mortal remains. For the old Chinese code does not err on the side of mercy to political agitators.

I sailed for England in September, 1896, and on the eleventh of the next month I was kidnapped at the Chinese Legation in Portland Place, London, by order of the Chinese Ambassador. The story of that kidnapping is already known fully to the world. It is enough to say here that I was locked up in a room under strict surveillance for twelve days, awaiting my transportation on board ship, as a lunatic, back to China, and that I should never have escaped had not my old friend and master, Dr. Cantlie, been then living in London. To him I managed, after many failures, to get through a message. He notified the newspapers, and the police and Lord Salisbury intervened at the eleventh hour and ordered my release.

After some time spent in travel and study in London and Paris, I felt that the time had come to return to China. My country, I felt, needed me, and I arrived to find everything in a state of ferment. The whole world knows the story of the Boxer troubles. During that terrible time I was speaking and writing and lecturing—more confident now than ever that nothing could stave off the inevitable revolution. Daily I carried my life in my hand, for I began to have enemies now amongst the extremists, men who hated Europeans and European civilization and wished to expel the "foreign devils" from China.

It was now that another important event happened to me. I was speaking to a company of my followers when my eye fell on a young man of slight physique. He was under five feet high; he was about my age; his face was pale, and he looked delicate. Afterwards he came to me and said:

"I should like to throw in my lot with you. I should like to help you. I believe your propaganda will succeed."

His accent told me he was an American. He held out his hand. I took it and thanked him, wondering who he was. I thought he was a missionary or a student. I was right. After he had gone I said to a friend:

"Who was that little hunchback?"

"Oh, that," said he, "is Colonel Homer Lea, one of the most brilliant—perhaps *the* most brilliant military genius now alive. He is a perfect master of modern warfare."

I almost gasped in astonishment.

"And he has just offered to throw in his lot with me."

The next morning I called on Homer Lea, now general, and the famous author of the "Valor of Ignorance." I told him that in case I should succeed and my countrymen gave me the power to do so, I would make him my chief military adviser.

"Do not wait until you are president of China," he said, "You may want me before then. You can neither make nor keep a government without an army. I have the highest opinion of Chinamen as troops when they are properly trained."

Most of the modern army—the troops trained in European tactics—are patriots and reformers, but until they seized the arsenal at Hanyang they were without ammunition. Blank cartridges were all that was ever served out to them.

Some of my friends were always anxious about my safety; but as to myself—perhaps as a remnant of Chinese fatalism—these things give me little trouble. When my time comes it will come. At Nanking a man once walked into my cabin on board a junk in the early morning.

"Sun," he said, "I am a poor man and I have a wife and many children."

"I understand. You mean that someone has offered you a hundred dollars to betray me?"

"More than that," he said.

"A thousand, then?"

"Five thousand, Sun. You are only one man, Sun, and Tszehi can have the lives of many. She hates you and will have your head cut off, and then it will be no good to anybody. If you give it to me now it will make us all rich and happy."

"Very true," I said. "My head is worth nothing to me, but is it worth a great deal to you? For if you betrayed me the mandarins would not only take all the money away from you, but your children would go on being poor for thousands of years, and millions of other children. Listen, Jin. I belong to you, and therefore my head is your head. Would you take five thousand dollars for your own head? *'Tien ming wu chang.'* But go and tell your chief that I am aboard this junk. I shall not stir."

He fell at my feet and begged my pardon. But I was sorry to hear next day that this man had drowned him-

elf, because he said he could not endure the disgrace of having thought of giving me up to my enemies.

I could tell many stories connected with the rewards laced upon my head. All men were not, I am sorry to ay, like this one. Some really would have wished to earn he reward if they could—but my friends saved me. Once was kept in one house six weeks without stirring from ny room. At another time I was living with a fisherman n a small cabin on the outskirts of Canton, when I was old that two soldiers had been ordered to take their lace in a little grove near by and shoot me on sight, was made aware of the danger and kept in the house or two days. Then I was told that the two soldiers hemselves had been shot.

But in a way my most extraordinary experience was n Canton, when two young officials came themselves to apture me. I was in my room at night and in my shirt-leeves, reading and looking over my papers. The two nen opened the door. They had a dozen soldiers outside. When I saw them I calmly took up one of the sacred ooks and began to read aloud. They listened for a time, and after a while one of them spoke, and asked a question. I answered it, and they asked others. Then ensued a long argument, and I stated my case and the case of the thousands who thought as I did at full length, as well as I could. At the end of two hours the two men went away, and I heard them saying in the street, "That is not the man we want. He is a good man, and spends his life healing the sick."

I estimate that the rewards upon my head once amounted altogether to not less than 700,000 taels (£100,000). In these circumstances, I have been asked why I have gone about in London so freely and taken so few precautions. My answer is that my life now is of little consequence, for there are plenty to take my place. Ten years ago, if had been assassinated or carried back to China for execution, the cause would have suffered. Now the organization I have spent so many years in bringing about is omplete.

At the close of the Boxer rebellion I returned to America. There was one thing I wanted more than troops and arms—without which I saw I could have neither, and hat was money. Not the money in quantities I had been receiving—here and there—but at least half a million sterling. Anything less than this would be failure. Now began a new role for me—a canvasser for political funds. In this capacity I traveled in every city in America, and I visited all the leading bankers in Europe. Emissaries sent by me penetrated into all quarters. Some professing to act for me and in my name proved faithless. But I prefer not to speak of these—although one man is now universally denounced as a traitor to the cause for having appropriated a huge sum of money entrusted to his care. He will meet with his due reward.

All over the world, and particularly in America, the legend has grown up that Chinamen are selfish and mercenary. There never was a greater libel on a people. Many have given me their whole fortune. One Philadelphia laundryman called at my hotel after a meeting, and, thrusting a linen bag upon me, went away without a word. It contained his entire savings for twenty years.

Meanwhile I kept my eyes on China and the events happening there. After the death of the Empress-Dowager I realized that Fate was playing into the hands of Yuan-Shih-Kai, who would be for a time the arbiter of my country's destiny. But I also knew that he could do nothing without me.

People in Europe think that the Chinese wish to keep themselves apart from foreign nations, and that the Chinese ports could be opened to foreign trade only at the point of the bayonet. That is all wrong. History furnishes us with many proofs that before the arrival of the Manchus the Chinese were in close relations with the neighboring countries and that they showed no dislike towards foreign traders and missionaries. Foreign merchants were allowed to travel freely through the Empire. During the Ming dynasty there was no anti-foreign spirit.

When the Manchus came the ancient policy of toleration changed. The country was closed to foreign commerce. The missionaries were driven out and the Chinese Christians were massacred. Chinamen were forbidden to emigrate. Disobedience was punished with death. Why? Simply because the Manchus wished to exclude foreigners and desired the people to hate them, for fear that the Chinese, enlightened by the foreigners, might wake up to a sense of their nationality. The anti-foreign spirit created by the Manchus came to its climax in the Boxer risings of 1900, and who were the leaders of that movement? None other than members of the reigning family. Foreigners traveling in China have often remarked that they are better received by the people than by the officials.

A new Government, an enlightened and progressive Government, must be substituted for the old one. When that has been done China will not only be able to free herself from her troubles, but also may be able to deliver other nations from the necessity of defending their independence and integrity. Among the Chinese there are many of high culture who, we believe, are able to undertake the task of forming a new Government. Carefully thought out plans have been made for a long time for transforming the old Chinese monarchy into a republic.

The masses of the people are ready to receive a new form of Government. They wish for a change of their political and social conditions, in order to escape from the deplorable conditions of life prevailing at present. The country is in a state of tension. It is like a forest of dry wood, and it needs only the slightest spark to set fire to it. The people are ready to drive the Tartars out. They will come over as soon as the revolutionary force has gained a footing on South China. The seven divisions around Peking are the entire creation of Yuan-Shih-Kai. Since he has been degraded the loyalty of these troops to the Peking Government is greatly diminished.

Though no arrangement has been made between them and us, we strongly believe that they will not fight for the Manchu Government, and there is another division in Manchuria which is commanded by a revolutionary general who can be depended upon to co-operate against Peking when the time comes.

As to the navy, though hitherto no arrangement for support has been made, an understanding can be easily concluded if sufficient funds for the purpose could be provided. The naval force of China consists of only four serviceable cruisers, the largest of which is but 4,000 tons, and the other three 2,900 tons. Many of the officers and sailors are revolutionists.

I say again, the whole South China is ready for a general uprising. Besides the readiness of all the people of South China to follow the movement, the revolution has enrolled the best fighting elements in the provinces of Kwangtung, Kwangsi, and Hunan. These provinces have always produced the best soldiers in China.

So far it has all happened as I foretold, only the crisis has come a little more hurriedly. I expected Yuan-Shih-Kai would have been able to hold out longer. I was so full of this belief that when a year ago Yuan sent for me I distrusted his messenger. I thought he was playing false, but he was really in earnest. He wished to remove the ban from my life and act openly in concert with me. But I said to his messenger:

"Go back to your master and tell him I have not labored fifteen years and suffered so many perils to be tricked so easily. Tell his Excellency I can wait. *'Tien ming wu chang.'*"

If I had trusted Yuan's messenger the revolution would have happened sooner, and I should now be in Peking. For I can count upon millions of followers. They will

follow me to the death, as they have long followed my teachings.

The greatest advance the revolutionary movement has made was when we enjoyed the favor of the late Emperor before he was put under restraint by the Dowager-Empress. At that time many thousands of young Chinamen obtained permission to leave China and travel about the world, studying European customs and institutions. Ninety per cent. of these became infected with revolutionary ideas. I used to meet them by scores wherever I went. They had heard of me, and were anxious to exchange ideas with me. When they went back they soon began to leaven the whole of China.

Whether I am to be titular head of all China, or to work in conjunction with another, and that other Yuan-Shih-Kai, is of no importance to me. I have done my work; the wave of enlightenment and progress cannot now be stayed, and China—the country in the world most fitted to be a republic, because of the industrious and docile character of the people—will, in a short time, take her place among the civilized and liberty loving nations of the world. —*The Strand Magazine.*

PRESIDENT SUN YAT-SEN'S RESIGNATION.

From the North China Daily News.

NANKING, April 2.

Monday provided us with another field day at the Assembly. Late in the forenoon those interested were warned that at 2 o'clock President Sun Yat-sen and the members of the Nanking Provisional Government would formally lay down office and deliver over the seals. As on Friday, no public interest whatever was manifested, and the only visitors were half a dozen foreigners, a handful of younger China and nine suffragettes, who occupied a prominent place in the gallery and throughout the proceedings comported themselves with a propriety one could wish might be characteristic of others of their political persuasion elsewhere.

On the present occasion a military brass band was employed to enliven the ceremony and President Sun, the Premier, and the old Cabinet walked to their places to the strains of a German march. The music having run its course, the Speaker announced that the retiring President would address a farewell message to the Assembly. Dr. Sun Yet-sen then came forward to the rostrum and spoke to the following effect, his speech being closely followed by the members, of whom there were thirty-five present, and frequently applauded:

THE REPUBLICAN IDEAL.

"I have come to Nanking on January 1 to be inaugurated as President of the Provisional Government of the Republic of China, and to-day, April 1, is just three months from my induction to office. During this interval we have accomplished what we aimed at, namely the establishment of a Republic. Now that the union of North and South is perfected, and a coalition government formed, I come here to resign my office.

On taking leave of you I feel that I would like to say a few words. The Republic of China should always aim at the promotion of the world's peace, for only by so doing can the welfare of mankind be advanced. Before this can be done we must firmly lay the foundations of the Republic. This is the duty of all of us. If we are all faithful to this duty, our object can be attained quickly. Though most of our people are ignorant of the meaning of the word and of republicanism, yet for centuries they have enjoyed peace and have been lovers of peace. To instruct them in the principles of republicanism and world-peace would not be a hard task. And if the mission should be successfully accomplished what an effect will it not have upon the world, when 400,000,0000 people, a quarter of mankind, champion the cause.

"This is our duty and we must try to do it. I have resigned my office, but my resignation does not mean that I have done, and am done with my duty. Far from it. Only hereafter I am going to discharge my duty in the capacity of a private citizen. It will be my object to help my 400,000,000 countrymen, and to endeavor to make the blessings of the Republic a reality."

SURRENDERS THE SEAL.

President Sun then took the red bag containing the seals of office and solemnly placed them before the Speaker of the Assembly. One of the members now came forward and from a yellow scroll read out a speech which spectators understood to be eulogistic of the services of the retiring President. Unfortunately this was read out so quickly in a strange accent that foreigners were unable to follow the words. When read the speech was presented to the President. This ended the ceremony and the band struck up another German march, under cover of which the ex-President and the Ministers retired from the Chamber.

It was observed that Dr. Sun bowed to the Assembly as he descended the steps to the floor of the House, but that only one member rose and bowed in return. The lack of courtesy was not regarded as being intentional on the part of the Assembly, but presumably was an expression of the members' creed that all are equal in a Republic.

FUTURE LABORS.

Dr. Sun Yat-sen at one time intended to go to Hankow to visit General Li Yuan-hung, but so much time has been occupied in settling the question of the new Cabinet, that he is now expected to go direct from Shanghai to Canton, where he will use his influence in the province to promote harmony among the different parties. After that Dr. Sun will travel in China lecturing on republicanism, and as he is an effective public speaker, his work is likely to prove highly beneficial to his country.

It should be added that Dr. Sun Yat-sen throughout his occupancy of the Presidency has comported himself with great person dignity, and has impressed everybody with his honesty, sincerity and high purpose. He may not have shown conspicuous gifts as a statesman, for his opportunities of acquiring statecraft have been extremely limited. But he retires into private life widely respected by his countrymen as a man and a patriot.

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The passing away of the Emperor of Japan closes one of the most remarkable chapters of all history. In less than half a century Japan has traversed a stretch of progress which other nations have required two or three hundred years to cover, and this progress will forever be associated with the name and influence of the Emperor Mutsuhito. It was only in 1868 that the Shogunate gave place to the rule of an Emperor in fact as well as in name. Since the Middle Ages, the titular occupant of the throne "had lived behind a screen and never trodden the earth." But the man who has just gone inherited neither the effeminancy nor the intellectual debility which the system of Imperial seclusion from mundane affairs was so well fitted to cultivate. It is perhaps the only case in history of a long line of *rois fainéants* resuming not only the power of which they had been deprived, but also the pristine vigor of their race. The Mayors of the Palace, with hardly an exception, have themselves founded a dynasty, and their royal wards have gone the way of discarded puppets. That the Emperor of Japan should have found able men ready to do for him the constructive work which the occasion so urgently demanded, is merely another proof of his greatness. For, the occupant of such a position could easily have chilled the ardor of the most unselfish of servants, and taxed beyond all patience the attachment of the most devoted of adherents. It was much to have had in the years of Japan's transformation a Sovereign who drew to his service the men best fitted to help him in the difficult task which has been thrust upon him, but it was more that the work should be done without interference from the jealousies and intrigues that flourish in such a palace as that in which the boyhood of the late Emperor of Japan had been passed. Whence came his native greatness of mind and clearness of mental vision, it would be hard to say, but it is certain that none of the founders of great States has established a stronger claim on the gratitude of his contemporaries and the admiration of prosperity.

The news of the Emperor's death has evoked from the Government and people of the United States expressions of sympathy whose genuineness is happily beyond question. President Taft was able to recall his several meetings with the Emperor and to bear testimony to the profound im-

pressions which he received from these interviews. Mr. Taft bears testimony to the fact that the Emperor was a hard worker and gave great attention to matters of Government, and he makes the broad statement that no one who knows intimately the history of Japan in recent years will deny to Mutsuhito the real leadership of his people. The President also transmitted to the Empress Dowager a message of sympathy in the great loss sustained in the death of her illustrious husband for whom the President "entertained sentiments of the highest personal esteem and regard." The Secretary of State sent to the Minister of foreign Affaires at Tokio the expression of his personal sympathy and sorrow in the great loss which has been sustained by the Japanese nation in the death of his Majesty the Emperor Mutsuhito. In a similar vein was the cablegram sent to Viscount Uchida by the Executive Committee of this Association, reading as follows: "The American Asiatic Association begs to convey to the people of Japan profound sympathy with them in this the day of their great sorrow." That the messages of the President and Secretary of State have struck a responsive chord in Japan was made obvious by the promptitude and earnestness of the responses to them. That they may bear the share in emphasizing the fact that a feeling of genuine friendship exists between the two nations and their respective governments is much to be desired.

If certain heads of the Presbyterian and Methodist Episcopal Mission Boards in this country are correctly reported, they have just informed the President that failure by the United States to recognize the Republic of China is endangering its existence and may result in the early restoration of the monarchy. These clerical gentlemen are also said to have informed the sypathetic chairman of the Foreign Affaires Committee that unless the President acts in the matter at an early date, a movement will be started in the Protestant Churches of the United States to arouse public sentiment to demand recognition for the new Republic. All this evidently proceeds from a lack of knowledge of actual conditions in China. There has been no loud call from the men at the head of the provisional government at Peking for immediate recognition of the Republic, and no one can be more acutely aware than Yuan Shih-Kai himself that he is not at the head of a government whose condition is stable or its prospects secure. There are many sentimental reasons why this Government should be the first to welcome the great Republic of China into the family of nations, but there are reasons of greater solidity why the action of the United States should not be taken without consultation and concert with other powers. The very integrity of the Republic depends on a common understanding between these powers, and anything calculated to interrupt their unity of action or to give an excuse for each one following the bent of its own policy might conceivably be the greatest misfortune that could happen to China.

Of still more dubious service to the new Republic is the endeavor to create a suspicion that the question of the Chinese loan is tied up with the question of recognition, and that it is the desire of the International Banking Syndicate to force upon the Chinese Government, *de facto*, a loan on terms not at all favorable to the borrower. Confessedly, China needs all the money which the Syndicate has stipulated to provide, and it is rather worse than nonsense to talk of fifty millions of dollars as being sufficient to place the Republic, in a financial sense, squarely on its feet. Even Tang Shao-Yi admitted that four times that amount would be barely sufficent to meet pressing obligations and put the Government in a position to discharge its immediate responsibilities. The loan and the question of recognition are so far bound up with each other that there can be no security for the Government until it is in the possession of ample funds, and while the conditions attached to the lending of this money are still under discussion and the acceptance of these conditions by the discontented Provinces is still doubtful, it can hardly be said that the Republic is in a position to claim the recognition of other powers. In short, the clerical critics of the course of the Administration in this matter have entirely mistaken their real duty to China, and are unfortunately quite oblivious to the difficulties which confront the men who are trying to reorganize its Government. It may safely be assumed that neither the President of the United States nor the Secretary of State needs any urging to embrace the very earliest opportunity of extending recognition to the new Republic of China and, for the time being, diplomatic intercourse is proceeding quite as easily and intimately as if the Republic already bore the stamp of International sanction.

The Magdelena Bay incident is likely to have the curious sequel of furnishing occasion for an appendix to the Monroe Doctrine. This appears in the form of a resolution drawn by Senator Lodge and favorably reported to the Senate, running as follows: "That, when any harbor or other place in the American Continents is so situated that the occupation thereof for naval or military purposes might threaten the communications or the safety of the United State, the Government of the United States could not see without grave concern the possession of such harbor or other place by any corporation or association which has such a relation to another government, not American, as to give that government practical power of control for national purposes." There never was the slightest evidence that any corporation so related to the government of Japan was ready to accept the American Company's offer of the land around Magdelena Bay. There should therefore be nothing to wound the susceptibilities of Japan in this effort of Senator Lodge to disguise the fact that what he had uncovered was merely a mare's nest. It is shrewdly suspected that the resolution is prompted, in so far as it is the work of the Foreign Relations Committee of the Senate, by considerations not remotely connected with the assumed desire of one or more European Powers to obtain, directly or indirectly, a foothold in South America.

Exports of Domestic Cotton Cloths, Mineral Oils, and Wheat Flour from the United States to China and Hongkong, during the twelve months, ending June 30, 1911 and 1912.

EXPORTS TO CHINA.

Months.	Cotton Cloths.		Mineral Oils (illuminating).		Wheat Flour.	
1910.	Yards.		Gallons.		Barrels.	
July	10,897,533	$727,329	5,392,690	$323,424	638	$2,576
August	9,582,788	563,587	14,052,380	888,045	2,643	11,823
September	4,226,655	263,334	7,130,000	314,745	1,333	5,144
October	951,800	56,682	8,044,160	493,021	452	1,894
November	1,018,400	90,740	5,048,550	298,529	3,691	14,533
December	3,294,806	227,245	7,996,752	583,235	5,308	20,650
1911						
January	5,667,644	390,359	3,915,380	180,847	58,188	210,766
February	3,854,800	222,309	4,423,824	210,643	124,428	456,053
March	7,857,697	486,439	13,340,540	797,484	34,372	131,015
April	6,549,116	444,472	13,889,920	872,772	49,158	185,742
May	12,837,965	860,882	13,275,702	902,967	11,880	46,483
June	14,000,083	960,016	10,657,551	778,634	645	2,579
Total	80,739,542	$5,293,394	107,167,449	$6,644,346	292,738	$1,089,258
July	11,063,600	$783,798	15,882,570	$1,148,524	1,631	$6,490
August	8,680,440	625,749	7,827,602	537,398	21,926	79,752
September	7,671,189	581,168	7,857,040	572,253	61,783	237,040
October	6,901,562	484,934	5,660,580	406,178	55,750	216,175
November	12,544,616	877,394	.....	.....	67,470	266,515
December	12,534,270	844,814	4,040,070	282,039	55,850	217,338
1912.						
January	4,495,875	307,086	5,131,900	373,671	69,413	267,876
February	12,794,458	851,566	.....	.....	179,820	697,139
March	8,654,853	525,061	1,928,030	146,341	152,666	614,302
April	11,730,726	752,094	1,000,000	74,000	35,925	138,777
May	5,168,266	332,613	10,782,250	737,643	29,850	117,542
June	6,175,605	400,681	8,054,955	546,361	9,108	36,340
Total	108,415,469	$7,371,958	68,164,997	$4,824,408	741,192	$2,895,286

EXPORTS TO HONGKONG.

1910						
July	51,982	$8,126	1,757	$189	58,169	$242,814
August	19,350	2,558	1,748,039	130,973	54,231	217,046
September	6,550	707	.....	.....	20,289	84,794
October	18,047	4,639	.....	.....	92,673	371,287
November	5,391	819	1,585,000	114,460	61,840	236,943
December	18,821	2,616	191,230	13,099	203,005	798,776
1911						
January	42,917	7,104	1,742,440	142,425	108,727	452,872
February	32,540	2,563	1,714,910	124,331	117,230	453,343
March	29,750	2,033	617,856	60,649	62,649	242,714
April	28,361	5,043	3,095,570	222,167	41,907	164,382
May	56,396	10,924	1,303,000	96,568	91,348	365,586
June	84,834	14,208	75,000	5,625	48,398	183,382
Total	394,939	$61,340	12,074,776	$910,693	1,003,529	$3,946,029
July	73,151	$10,412	.....	.....	72,283	$281,302
August	55,621	10,166	1,539,170	$115,438	73,571	287,511
September	49,832	7,889	2,040,000	151,980	85,937	333,803
October	44,343	7,410	830,000	81,956	251,607	993,047
November	35,212	3,509	2,455,000	184,827	143,919	550,437
December	187,236	20,889	2,677,000	195,421	234,502	915,396
1912						
January	57,814	7,253	.....	.....	94,456	380,186
February	110,352	15,039	1,263,540	92,833	106,985	410,863
March	5,131	1,127	1,636,000	67,076	148,716	561,253
April	185,580	27,022	.....	.....	85,420	343,600
May	85,993	12,953	500,000	44,175	80,569	326,750
June	156,283	23,451	1,854,000	160,065	113,108	451,152
Total	1,046,548	$147,620	14,794,710	$1,093,771	1,491,073	$5,840,299

DEPARTMENT OF COMMERCE AND LABOR,
Bureau of Statistics.

WASHINGTON, D. C., August 2, 1912.

Imports of Tea and Silk into the United States for the twelve months, ending June 30, 1910, 1911 and 1912.

TEA.	1910.		1911.		1912.	
Imported from	Pounds.	Dollars.	Pounds.	Dollars.	Pounds.	Dollars.
United Kingdom	8,235,698	2,054,454	10,661,552	2,831,824	12,887,949	3,538,200
Canada	2,237,649	517,062	3,003,742	754,873	2,558,583	734,769
China	28,043,171	3,275,343	25,148,048	2,951,628	17,605,670	2,260,949
East Indies	8,154,649	1,316,283	9,660,633	1,605,774	13,760,787	2,306,726
Japan	38,187,229	6,334,588	52,998,199	9,272,828	53,747,386	9,213,402
Other countries	767,974	174,216	1,181,768	196,642	846,441	153,095
Total	85,626,370	13,671,946	102,653,942	17,613,569	101,406,816	18,207,141

RAW, OR AS REELED FROM THE COCOON. SILK.						
Imported from	Pounds.	Dollars.	Pounds.	Dollars.	Pounds.	Dollars.
France	589,136	1,612,148	283,743	991,470	91,387	334,660
Italy	3,523,924	13,268,689	2,635,915	10,057,393	2,058,456	7,467,623
China	4,084,415	9,675,898	5,370,015	13,666,732	4,776,506	11,399,407
Japan	11,957,504	40,103,780	13,886,301	47,248,347	14,493,131	47,316,331
Other countries	208,348	764,269	204,024	750,042	190,040	655,361
Waste.....lbs...free..	3,045,235	1,690,393	4,122,226	2,210,020	4,892,986	2,317,217
Total unmanufactured	23,408,562	67,115,177	26,502,506	74,924,004	26,584,962	69,541,672

THE GREAT REPUBLIC OF CHINA

From the Fortnightly Review.

With Yuan Shih-kai acknowledged as Provisional President by both the north and the south, by Peking and Nanking alike, "The Great Republic of China," as it is called by those who have been mainly instrumental in bringing it into being, appears to have established itself, or at least it enters upon the first definite stage of its existence; thus opens a fresh volume, of extraordinary interest as of incalculable importance, in the history of the Far East—it is easy to say that much, and, indeed, the remark is already almost trite. It is clear that the China of to-day is not quite the China of, say, even twenty years ago; but is the world face to face with a New China, practically a nation born in a day, to quote the Scriptural phrase, or with essentially the Old China, altered somewhat on the surface but unchanged underneath? The hopes of some, the fears of others, inspire an affirmative answer to the former question, while a considerable number of observers, to whom the East is always the Changeless East in spite of the crucial instance of Japan, reply in the negative, and maintain that to all intents and purposes China remains the same. The truth, as is so often the case in widely conflicting views, lies in the middle, taking something from both sides; it is a Changing rather than a Changed China the world is called on to envisage, and the change will continue in one way or another, no matter what the form of China's Government may be, for it is written in the nature of things, until it affects the whole mass of China, to the poorest and meanest of its "stupid people."

Even in the days of the great and autocratic Dowager Empress, Tzu Hsi, who had no love for "reform," but knew how to accept and adapt herself to the situation, it was evident that a change, deeply influencing the political life and destinies of China, was in process of development. After her death, some four years ago, the force and sweep of this momentous movement were still more apparent—it took on the character of something irresistible and inevitable; the only question was whether the change would be accomplished by way of evolution—gradual, orderly, and conservative—or by revolution, or a series of revolutions, probably violent and sanguinary, and perhaps disastrous to the dynasty and the country. The events of the last few months have supplied the answer—at any rate, to a certain extent. A successful revolution has taken place, in which, it is true, many thousands have been killed, but which on the whole has not been attended by the slaughter and carnage that might have been anticipated considering the vastness of the country and the enormous interests involved—actual warfare gave way to negotiations conducted in a spirit of moderation and of give-and-take on the part of all concerned; the Manchu dynasty has collapsed, though the "Emperor" still remains as a quasi-sacred, priestly personage, and the princes have been pensioned off; the

Great Republic of China has come into being, albeit it is in large measure inchoate and, as it were, on trial. China has long been the land of rebellions and risings, and it is hardly to be expected that the novel Republican form of Government, however well constructed, intentioned, or conducted, will escape altogether from internal attacks. And nearly everything has yet to be done in organization.

General surprise has been expressed at the comparative ease and speed with which the revolutionary movement has attained success in driving the Manchus from power and in founding a Republican *régime*. The factor which chiefly contributed to this success was undoubtedly the weakness of the Manchu dynasty and of the Imperial Clan, who, hated by the Chinese and without sufficient resources of their own, were utterly unable to offer any real resistance to the rebellious provinces of the south, the loyalty of their troops being uncertain, and any spirit or gift of leadership among themselves having disappeared with the passing of the great Tzu Hsi in 1908. But it is a mistake to imagine that the idea of a Republican form of Government in place of the centuries-old, autocratic, semi-divine Monarchy, was something that had never been mooted before and was entirely unknown to the Chinese. To the great majority, no doubt, it was, if known at all, something strange and hardly intelligible, as it still is. But in the south, especially on and near the coast, it had been familiar for some time; among the possibilities of the future it was not unknown even to the "Throne." Fourteen years ago, after the *coup d'état* by which Tzu Hsi smashed the reform movement that had been patronized by the Emperor Kuang Hsu, the then Viceroy of Canton stated in a memorial to her that among some treasonable papers found at the birthplace of Kang Yu-wei, the leading reformer of the time, a document had been discovered which not only spoke of substituting a Republic for the Monarchy, but actually named as its first President one of the reformers she had caused to be executed. It must be admitted, on the other hand, that the idea has been imported into China comparatively recently; the Chinese language contains no word for republic, but one has been coined by putting together the words for self and government; it must be many years before the masses of the Chinese—the "rubbish people," as Lo Feng-lu, a former Minister to England, used to call them—have any genuine understanding of what a republic means.

The Manchus were in power for nearly two hundred and seventy years, and during that period there were various risings, some of a formidable character, against them and in favor of descendants of the native Ming dynasty which they had displaced; powerful secret organizations, such as the famous "Triad Society," plotted and conspired to put a Ming prince on the throne; but all was vain. It had come to be generally believed that the race of the Mings had died out, but a recent dispatch from China speaks of there still being a representative in existence, who possibly might give serious trouble to the new republic. In any case, for a long time past the Mings had ceased to give the Manchus any concern; the pressure upon the latter came from outside the empire, but that in its turn reacted profoundly on the internal situation. The wars with France and England had but a slight effect on China; though the foreign devils beat it in war, it yet despised them; the effect of the war with Japan, in 1894, was something quite different, beginning the real awakening of China and imparting life and vigour to the new reform movement which had its origin in Canton, the great city of the south, whose highly intelligent people have most quickly felt and most readily and strongly responded to outside influences. Regarded by the Chinese as at least partially civilized, the Japanese were placed in a higher category than the Western barbarians, but as their triumph over China was attributed to their adoption of Western military methods and equipment, the more enlightened Chinese came to the conclusion that however contemptible the men of the Western world were, the main secret of their success, as of that of Japan, was open enough, and also that Western learning and modes of government and organization must be studied and copied, as Japan had studied and copied them, if the Celestial Empire was to endure. It was a case on the largest scale of self-preservation, and some part, at least, of the truth was glimpsed by the Throne itself.

But China was, and in spite of recent developments still remains in most respects, an intensely conservative country, and the reform movement encountered from the start the most determined opposition. The Dowager Empress Tzu Hsi had handed over the reins of government to the Emperor Kuang Hsu, a young prince of good intentions but of feeble health and no great strength of character, unfitted, as events soon proved, to control the empire in these critical times, but who had come to believe that reform was desirable, and was willing to try to give it effect. After consultation with Kang Yu-wei, whose learning had given him the title of the Modern Sage, Liang Chi-chao, the editor of *Chinese Progress*, and other reformers whom he had summoned from the south, the Emperor issued various edicts which commanded the immediate adoption by his subjects of a great programme of reforms, affecting nearly every department of the State, but chiefly education and the army. These measures at once aroused the fiercest hostility amongst the conservative Chinese; the Dowager Empress, who had been watching what was going on, was appealed to, and the result was the *coup d'état*, the imprisonment and practical dethronement of the Emperor, and the cancelling of the reforming edicts She thought he had gone too fast and too far, and, besides, she had satisfied herself, it is said, that the reform movement was largely anti-dynastic; what is certain is that almost from its inception the movement embraced two parties, one seeking a constitutional development and the other a republican, and to her autocratic temper the former was hardly less objectionable, less "impious," than the latter. For two or three years the forces of reaction were in the ascendant at Peking, and Western learning and everything that was Western or savoured of reform were proscribed The revolt of the conservatives against the Westernization of

China found a militant expression in the anti-foreign Boxer rising, but its defeat and total collapse sealed the fate of the reaction and led Tzu Hsi to reconsider the situation Parenthetically, it may be noted that southern China took little or no part in the Boxer outbreak, being kept well in hand by a strong and able Viceroy, the late Chang Chih-tung, himself a progressive, but of a conservative type.

Tzu Hsi made up her mind to reverse her policy, and henceforward sought both to conciliate foreigners and to make reforms, to the necessity for which she could no longer shut her eyes. Encouraged and supported by her chief advisers, amongst whom Yuan Shih-kai came into prominence, she took some tentative steps in the direction of reform, but the event, or rather series of events, which made her and the Chinese understand that not only was reform necessary but must take place as quickly as possible in the circumstances, was the Russo-Japanese War. That war, waged in its own territory though it had no share in the actual conflict, but won by Easterns against Westerns after as tremendous fighting as the world had ever seen, completed the awakening of China. The conclusion of the Anglo-Japanese Treaty, which amongst other things guaranteed the independence and integrity of the Chinese Empire, gave a breathing space, an opportunity for developing and carrying out the new policy of the Dowager Empress; it was in process of fulfilment when she died in 1908. The chief features of the latter portion of the reign of this wonderful woman were the spread of Western learning throughout a considerable part of the empire, the rise and amazing growth of a vernacular Press, the birth of something approaching a genuinely national spirit and sentiment notwithstanding the constant and ages-old rivalries and jealousies of the provinces, and, above all, the demand and ever-increasing agitation for a constitution and representative forms of government. Something, but not much, was heard of a republic while Tzu Hsi lived; before her death the principle of a constitution, with a national parliament and provincial assemblies, had been accepted by the Throne—with reservations limiting the spheres of these representative bodies, retaining the supreme power in the Throne, and in the case of the national parliament delaying its coming into existence for a term of years.

By Tzu Hsi's commands, the Throne passed at her death into the hands of a sort of commission; a child of two years of age, a nephew of Kuang Hsu, called Pu Yi, became Emperor under the dynastic name of Hsuan Tung; his father, Prince Chun, was nominated Regent, but was ordered to consult the new Dowager Empress, Lung Yu, the widow of Kuang Hsu, and to be governed by her decisions in all important matters of State. Prince Chun, amiable in disposition but weak and vacillating in character, and not always on the best of terms with Lung Yu, began well; one of his first acts was to assure President Taft, who had written entreating him to expedite reforms as making for the true interests of China, that he was determined to pursue that policy. Among those who had suggested reforms to Tzu Hsi, often going far beyond her wishes or plans, but who steadily supported her in all she did in that direction, the leading man was Yuan Shih-kai; with the possible exception of Chang Chih-tung, the Viceroy of Hunan and Hupeh, mentioned above. Yuan Shih-kai had become the greatest man in China, and even as he had advised and supported Tzu Hsi, so he advised and supported Prince Chun at the commencement of the Regency. But the prince had received an unfortunate legacy from his brother, the Emperor Kuang Hsu, who, believing that Yuan Shih-kai had betrayed him to Tzu Hsi at the time of the *coup d'état,* had given instructions to Prince Chun that if he came into power he was to punish Yuan for his treachery. At the beginning of 1909 the Regent dismissed Yuan on an apparently trivial pretext, but everyone in China knew the real reason for his fall, and not a few wondered that his life had been spared. It is idle to surmise what might have happened if his services had been retained by the Throne all the time, but who could have imagined that so swift and almost incredible an instance of time's revenges was in store—that within barely three years Yuan Shih-kai would be the acknowledged head of the State, and Prince Chun and all the Manchus in the dust?

Representative government of a kind started in 1909 with the establishment of provincial assemblies; elections were held, and assemblies met in most of the provinces. In the following year a senate or imperial assembly was decreed by an imperial edict; its first session was held in Peking in October of that year, and was opened by the Regent; one of the first things the assembly did was to memorialize the Throne for the rapid hastening on of reforms, and in response an edict was issued announcing the formation of a national parliament, consisting of an Upper and a Lower House, within three years. Under further pressure the Throne in May of last year abolished the Grand Council and the Grand Secretariat, and created a Cabinet of Ministers, after the Western model. But the agitation continued and went on growing in intensity; still it sought nothing apparently but a development of the constitution, and at least on the surface was neither anti-dynastic nor republican. An anti-dynastic outburst at Changsha, Hunan, in 1910, was easily suppressed, and certainly gave no indication of what was so soon to take place. So late as September of last year a rising on a considerable scale in the province of Szechuan was not anti-dynastic, but was declared by the rebels themselves to be directed against the railway policy of the Government. The best hope for China lies in a wide building of railways; the Chinese do not object to them, but, on the contrary, make use of them to the fullest extent where they are in existence; they do not wish, however, the lines to be constructed with foreign money, holding that such investments of capital from without might be regarded as setting up liens on their lands in favor of outside Powers—how far they can do without outside capital is another matter. Then the whole question of railway-building involved the old quarrel between the provinces and the central government—which is another way of saying that the provinces did not see why all the spoils should go to Peking.

A month after the rebellion in Szechuan had broken out, the great revolution began, and met with the most astonishing success from the very outset. Within a few

weeks practically the whole of southern China was in the hands of the revolutionaries, and the Throne in hot panic summoned Yuan Shih-kai from his retirement to its assistance; after some hesitation and delay he came—but too late to save the dynasty and the Manchus, though there is no shadow of doubt that he did his best and tried his utmost to save them. With Wuchang, Hankau, and Hanyang—the three form the metropolis, as it may be termed, of Mid-China—in the possession of the revolutionaries, and other great centres overtly disaffected or disloyal, the Regent opened the session of the national assembly, and it forthwith proceeded to assert itself and make imperious demands with which the Throne was compelled to comply—this was within a fortnight after the attack on Wuchang that had begun the revolution. On November 1st the Throne appointed Yuan Shih-kai Prime Minister, and a week later the national assembly confirmed him in the office; he arrived in Peking on the thirteenth of the month, was received in semiregal state, and immediately instituted such measures as were possible for the security of the dynasty and the pacification of the country. But ten days before he reached Peking the Throne had been forced to issue an edict assenting to the principles which the national assembly had set forth in nineteen articles as forming the basis of the Constitution; these articles, while preserving the dynasty and keeping sacrosanct the person of the Emperor, made the Monarchy subject to the Constitution and the Government to Parliament, with a responsible Cabinet presided over by a Prime Minister, and gave Parliament full control of the Budget.

Here, then, was the triumph of the constitutional cause, and Yuan Shih-kai and most of the moderate progressive Chinese would have been well satisfied with it if it had contented the revolutionaries of the south, but from the beginning they had made it plain that they were determined to bring about the abdication of the dynasty, the complete overthrow of the Manchus, and the establishment of a Republican form of Government, nor would they lay down their arms on any other terms. In a short time Yuan Shih-kai saw that the revolutionaries were powerful enough to compel consideration and at least partial acquiescence in their demands. It cannot be thought surprising that the proposed elimination of the hated Manchus from the Government was popular, yet it must seem remarkable that the revolutionary movement was so definitely republican in its aims, and as such achieved so much success. But while there had been little open agitation in favor of a republic, the ground had been prepared fir it to a certain extent by a secret propaganda. The foreign-drilled troops of the army were disaffected in many cases and were approached with some result; the eager spirits of the party in the south, where practically the whole strength of the movement lay, formed an alliance with certain of the officers of these troops. No sooner was the revolution begun than a military leader appeared in the person of Li Yuan-hung, a brigadier-general, who had commanded a considerable body of these foreign-drilled soldiers, and was supported by large numbers of such men in the fighting in and around Wuchang-Hankau. That the revolutionaries, who were chiefly of the student class, and not of the "solid" people of the country, were able to enlist the active cooperation of these officers and their troops accounts for the quick and astonishing success of the movement. And at the outset, whatever is the case now, many of the solid people—magistrates, gentry, and substantial merchants—also endorsed it.

Towards the end of November the revolutionaries captured Nanking, a decisive blow to the imperialists, and this former capital of China became the headquarters of a Provisional Republican Government. Soon afterwards, through the good offices of Great Britain, a truce was arranged between the north and the south. Yuan Shih-kai was striving with all his might to retain the dynasty as a limited monarchy, but coming events cast their shadow before in the resignation of the Regent early in December. Negotiations went on between Yuan, who was represented at a conference held in Shanghai by Tang Shao-yi, now Premier, an able and patriotic man and a *protégé* of his own, and the revolutionaries, but the leaders of the latter made it clear that there could be no peaceful solution of the situation short of the abdication of the dynasty and the institution of some form of republic. At the end of December Dr. Sun Yat-sen, whose striking and romantic story is well known, was appointed Provisional President by Nanking; in January he published a manifesto to the people of China, bitterly attacking the dynasty, promising that the republic would recognize treaty obligations, the foreign loans and concessions, and declaring that it aimed at the general improvement of the country, the remodelling of the laws, and the cultivation of better relations with the Powers.

Meanwhile, the Dowager Empress and the Manchu princes had discussed the position of affairs with Yuan Shih-kai, and the question of the abdication of the dynasty was under consideration, but though the situation was desperate there were some counsels of resistance. What finally made opposition impossible was the presentation to the Throne in the last days of January of a memorial, signed by the generals of the northern army, requesting it to abandon any idea of maintaining itself by force. This settled the matter. No other course being practicable, terms were agreed to between Peking and Nanking, and on February 12th imperial edicts, commencing for the last time with the customary formula, were issued from the capital giving Yuan Shih-kai plenary powers to establish a Provisional Republican Government, and to confer with the Provisional Republican Government at Nanking, approving of the arrangements which had been made for the Emperor and the imperial family, and exhorting the people to remain tranquil under the new *régime*. These edicts will remain amongst the most remarkable things in history, and it cannot be said that the passing of the Manchus was attended by any want of that ceremonious calmness and dignity for which China is famed. Two or three days later Sun Yat-sen in a disinterested spirit resigned, and Yuan Shih-kai was unanimously elected President by the Nanking Assembly; Yuan accepted the office, and thus north and south were united in "The Great Republic of China." At the end of March progress in the settlement of affairs was seen in the formation of a Coalition Cabinet comprising Ministers of both the Peking and the Nanking Governments,

those selected being men with a considerable knowledge of Western life and thought, as, for instance, Lu Cheng-hsiang, the Foreign Minister, who has lived many years in Europe and speaks French as well as English. A further advance took place on April 2nd, when the Nanking Assembly agreed by a large majority to transfer the Provisional Government to Peking, which thus resumed its position as the capital of the country and the centre of its Administration.

Among the causes which contributed to the success of the revolution were the inability of the north to obtain loans from outside, and the pressure, both direct and indirect, exerted upon both parties by foreign Powers. Both of these causes were important, the latter especially so. The action of Russia with respect to Mongolia, and of Japan with regard to Manchuria, alarmed patriotic Chinese, led them to fear that foreign interference might not be confined to these territories, and to dread that the result would be the disintegration of the country. Under the Manchus they had seen the loss of Korea, the Liaotung, Formosa, and, in a sense, of Manchuria itself; they were apprehensive of German designs in Shantung, of Japanese in Fuhkien. The feeling that the country was in danger helped both sides to be of one mind. But the pressure from the outside was not all of this sinister sort; friendly representations from the genuinely well-disposed Powers did a good deal to bring the combatants to a mutual understanding. But throughout the revolution, as in the final result, the great outstanding, commanding figure was Yuan Shih-kai himself. Evidently a man of great gifts, he knew how and when to yield and how and when to be firm; the compromise which solved the situation—at all events, for the time—was mostly his work; statesman and patriot, he saved his country. And it will always redound to his credit that he cannot be charged with faithlessness to the Manchus, for he did all that was possible for them, standing by them to the last. By retaining the "Emperor" as the priestly head of the nation, *pater patriæ* according to Chinese ideas, he has left something to the Manchus and at the same time contrived that the Republican form of Government shall bring as slight a shock to "immemorial China" as can be imagined.

What does this "immemorial China"—meaning thereby the great bulk of the Chinese, the un-Westernized Chinese—think of the republic? In other words, is the republic likely to last? What sort of republic will it probably be, viewing the situation as it stands? At one of the early stages of the revolution Yuan Shih-kai stated that only three-tenths of his countrymen were in favor of a republic—in itself, however, a considerable proportion of the population; now that the republic is in existence, will it be accepted tranquilly by the rest? The majority of these people are the inoffensive and industrious peasants of the interior, who have long been accustomed to bad government; as they will scarcely find their lot harder now, they will probably quietly accept the new order, unless some radical change is made affecting their habits of life, which is unlikely. Some of the old conservative gentry are opposed to the republic, but now the Manchu dynasty is gone, who or what can they suggest in its place that would be received favorably by the country? The descendant of the Mings? Or the descendant of Confucius? Neither seems a likely candidate in present circumstances. For it may very well be the case that as the revolution has been so largely military, and parts of the army need careful handling, as the recent riots in Peking showed, the Republican Government will assume something of a distinctively military character, and Yuan Shih-kai, as its head, be in a position not very different from that of a military dictator—as Diaz was in Mexico. The republic will, of course, have its troubles, and serious ones enough, to face, but the balance of probabilities certainly suggests its lasting awhile.

ROBERT MACHRAY.

THE RULERS OF CHINA.

The North China Daily News.

THE PRESIDENCY.

YUAN SHIH-KAI.

Mr. Yuan Shih-kai was elected Provisional President of the Republic of China in February last and was inaugurated President at Peking on March 10, 1912. Prior to his inauguration, but after his election, he requested the Powers to recognize the Republic, but this request has not yet been complied with.

Yuan Shih-kai, who is a native of Honan, is fifty-three years of age and has never been abroad. One of his great-uncles was one of four generals who assisted Gordon in the suppression of the Taiping rebellion. When a boy he was adopted by an uncle who was a soldier, and in 1882 he went with a Chinese detachment to the assistance of the King of Korea, who was threatened by an insurrection. He remained in Korea for twelve years, becoming Imperial Resident at the age of twenty-six. He held this post until the war with Japan in 1894-5 when Chinese were expelled from Korea. Yuan raised an army of 5,000 well-disciplined and well-armed men near Tientsin on his return to China, and from the military schools that he subsequently established most of the Chinese military instructors have gone out. Yuan's action at the time of the Empress Dowager's *coup d'etat* in 1898 does not need to be mentioned here except as an incident in his life. He became Governor of Shantung, where he took his foreign-drilled soldiers and began to suppress the Boxers. To his conduct the Europeans in Peking owed their lives, for he ignored the Imperial Edicts which ordered the massacre of foreigners, and worked steadily with the Yangtze Viceroys to maintain order. In 1901 he was appointed Viceroy of Chihli in succession to Li Hung-chang. He became a Grand Councillor and administrative head of the Waiwupu in the last year of the reign of the Empress Dowager. In 1909 he was dismissed from office and went into retirement. It was not until Peking was overwhelmed by the revolution that he was recalled and ordered to co-operate with Admiral Sah Chen-ping and the Minister of War in quelling the rebellion. Subsequent events are too recent to need recording.

GENERAL LI YUAN-HUNG.

General Li Yuan-hung, Vice-President of the Republic of China, was elected to that position on February 20 by the Nanking Assembly. He is forty-eight years of age and was born in Hupeh, near Hankow, being the son of a Colonel in the Chinese army. At the age of eighteen years he passed the entrance examination of the Peiyang

Naval College and after a course extending over a period of six years he graduated from the first class. In the Chino-Japan war, 1894, he commanded the guns on the cruiser Chenyuan. After the war he was engaged by Chang Chih-tung, then Governor-General at Nanking, to fortify that city with modern guns. When Chang Chih-tung was transferred to the Hukuang provinces he went with him and, with a German instructor, helped to train a new army. Subsequently he went to Japan and went through a course of military training in Tokio and represented China at the manœuvres. On his return to China, Mr. Li was appointed a Major of a cavalry brigade, and in 1902 he commanded the Kiangyin Army and Navy manœuvres. He held various commands in Hupeh and on the formation of the new army in China he became Colonel of the 21st Brigade. In 1905 he was delegated to organize the Changteh manœuvres and he also held other military and naval appointments. For five years subsequently he was not on the staff, but in 1910 he was found employment, as second in command, with a mixed regiment. In October last he joined the revolutionary soldiers, having been elected Tutuh of the Hupeh army, became the hero of the republican army, and was elected by the representatives of fourteen provinces to be Commander-in-Chief. It was he who decided that peace negotiations should be entered into with the Manchus. Subsequently he was elected Chief of the General Staff.

DR. SUN YAT-SEN.

Dr. Sun Yat-sen, ex-Provisional President of China, who is now devoting himself to propagating republican ideas throughout the land, is forty-five years of age. He is the son of a Chinese who was employed by the London Missionary Society for some time, and is a Cantonese. He learned the English language at an early age and was first engaged by Dr. Kerr of the Anglo-American Mission. When the College of Medicine attached to the Alice Memorial Hospital, Hongkong, was opened Sun Yat-sen became a student there, in 1877, and in 1892 he gained his diploma as a licentiate in medicine and surgery from this college. He set up in practice in Macao and while there he joined the Young China Party and became interested in politics. He made a great reputation in Macao, but the Portuguese objected that he was practising without a Portuguese diploma, and he went to Canton where he formed a branch of the Kohlaohui. From this time he was a marked man, and after the failure of the Canton conspiracy of 1895 he went to Hongkong and then to Japan, where he had his queue removed and dressed as a Japanese. From Japan he went to Honolulu and the United States where he was continually harassed by Chinese who were seeking to kidnap him. In September, 1896, he went to England and on October 11 he was lured by a fellow-countryman into the Chinese Legation, where he was made a prisoner and locked up for twelve days awaiting his transportation to China as a lunatic. An old friend of Dr. Sun, Dr. James Cantlie, was instrumental in securing his release through the intervention of Lord Salisbury. From England he went to France and, after the Boxer rebellion, returned to China, where he prosecuted the propaganda of reform. Dr. Sun travelled about in the Far East and then journeyed to Europe and the United States again to raise funds for the revolutionary cause, Dr. Sun sometimes went to England twice a year in the last ten years. When Yuan Shih-kai sent for Dr. Sun over a year ago the latter distrusted the former and refused to come to the north. Dr. Sun was in England at the time of the outbreak of the rebellion, which occurred prematurely, and he came out and became the first Provisional President of the Republic, having been elected at Nanking by the Assembly. On April 1, 1912, he handed over the reins of Government to Yuan Shih-kai in circumstances that do not need recapitulation.

THE MINISTRY.

TANG SHAO-YI.

Mr. Tang Shao-yi, the Premier, was appointed to that position in March and for some time he was also Minister of Communications. He is a Cantonese who went to the United States for a course of study. On his return to China he was a school teacher, but soon became a protégé of Yuan Shih-kai. He went to Korea and to Tientsin with Yuan and was successively Customs Taotai of Tientsin, Commissioner to Tibet, Vice-President of the Board of Communications, Viceroy of Fengtien and Special Ambassador to the United States of America to render thanks for the remission of a portion of the Boxer indemnity. When he returned from this mission Tang retired from office, but during the revolution he was called to Peking by Yuan and was despatched to Shanghai last December to negotiate with Dr. Wu Ting-fang for peace.

LU CHENG-HSIANG.

Mr. Lu Cheng-hsiang was appointed Minister of Foreign Affairs on March 29. He was then Minister to St. Petersburg, where he had been since 1911. He took up his duties on June 9.

Lu is a native of Shanghai, but he has spent some twenty years in Europe, where he has gained an admirable knowledge of English and French. He represented China at two Hague Conferences and gained much credit last year for negotiating a treaty with Holland with regard to the establishment of Chinese Consulates in the Dutch Indies. As Minister to St. Petersburg he has been conducting the negotiations for the revision of the 1881 treaty.

CHAO PING-CHUN.

Mr. Chao Ping-chun was appointed Minister of the Interior on March 29. He is an outspoken partisan of Yuan Shih-kai. Formerly he was an official of the Manchu Government, and he has the advantage of a foreign education. He is a native of the same province as the President, viz., Honan. Mr. Chao served as Police Taotai under Yuan Shih-kai in Tientsin when he made a name for himself by the masterly way in which he suppressed lawlessness and for the military training which he gave his police.

HSIUNG HSI-LING.

Mr. Hsiung Hsi-ling was appointed on March 29 Minister of Finance, and he is now before the public as the man who took up the negotiations with the foreign bankers for the big loan to China. When he took over the task from the Premier on May 7, at his first conference he created a very favorable impression, but circumstances would appear to have been too much for him. A Hunanese, he was a prominent Hanlin student, who followed up his studies in China by work in Japan and travel in Europe. For a long time he has been designated for his present high position. Previously he has held the highest financial position in Manchuria, and has

had many years' experience of the administration of the salt gabelle. Hsiung is a friend of the reformer Kang Yu-wei.

TSAI YUAN-PEI.

Mr. Tsai Yuan-pei, Minister of Education, was one of the special commissioners who went to Peking from Nanking in February to escort Yuan Shih-kai to the southern city. He is a native of Chêkiang, a Hanlin student and has studied the educational systems of Germany and other foreign countries for several years. For some time he was a member of the professional staff of the Nanyang College. He became known as a revolutionary and was compelled to seek refuge in Tsingtao. Subsequently he took courses at German Universities. His programme, as outlined to the Advisory Council, includes the establishment of general and special educational systems and he promises that he will establish a large number of technical and other professional academies and engage foreign professors.

WANG CH'UNG-HUI.

Mr. Wang Ch'ung-hui, D.C.L., was appointed Minister of Laws and Justice on March 29, and he is considered to be one of the most brilliant men in China. Dr. Wang is a Cantonese who has been called to the English Bar. He has had considerable experience abroad, having first been sent as a Government student to the United States, where he became a D.C.L. of Yale University. As the author of a translation in English of the Imperial German Civil Code he is best known in the West. Returning to China just before the revolution he was certain of his present position in a Republican Cabinet. He considers that the main task of his office is to separate the Courts of Justice from the civil administration; and he is anxious to bring about reform in the prison system.

SUNG CHIAO-JEN.

Mr. Sung Chiao-jen, Minister of Agriculture and Forestry, was a journalist in Shanghai. He has studied in Japan and took an important part in the framing of the laws and the constitution of the present government. The policy which he has outlined includes the stimulation of the afforestation of China and the furthering of agriculture by the introduction of a new system of drainage. Mr. Sung is a Hunanese.

CHEN CHI-MEI.

General Chen Chi-mei was appointed Minister of Industry and Commerce on March 29, but he is understood to have resigned. Chen Chi-mei is a native of Huchow, Chêkiang. He started life as an apprentice to a pawnshop keeper and then he engaged in the silk trade in Shanghai, where he started a campaign of industrial development and also joined the republican party. He went to Japan to study and returned to Shanghai in 1907. After making an unsuccessful attempt to establish a revolutionary newspaper in Hankow, he turned his attention to supplying the republicans in Canton with ammunition during the revolution there. His next work was to organize the revolutionary movement in Shanghai and from here he went to Wuchang and Hankow, making efforts to induce the troops to revolt. He also started the movement in Soochow and Nanking. On November 3 last he led the attack on the Shanghai Arsenal. For his services he was elected Tutuh of Shanghai. He has raised funds for the revolutionary cause and during the attack on Nanking sent troops, ammunition and artillery there.

WANG CHENG-TING.

Mr. Wang Cheng-ting was appointed Under-Secretary of Industry and Commerce on April 15, and on May 7 he was appointed Acting Minister until the arrival of Chen Chi-mei. He has stated that the policy of his department is to further China's exports and it will give special attention to the far-reaching support of the merchants and mercantile companies by the Government.

DR. ALFRED SZE (SHIH SHAO-CHI).

Dr. Alfred Sze, M.A., was appointed Minister of Communications on April 22. This Minister was formerly secretary to the Waiwupu, and he was appointed Chinese Commissioner to the Mukden Plague Conference. During the progress of the peace negotiations he was appointed Chinese Minister to Washington, but he did not proceed to the United States and subsequently was given the portfolio of Minister of Communications by his father-in-law, Tang Shao-yi, who was himself holding the appointment temporarily, beside that of Premier. Dr. Sze is a returned Government student from the United States. He has declared his policy to be the development of the postal and telegraph systems of the country, and he also advocates the extensive building of railways. He has divided his Board into Shipping, Railway, Telegraph and Postal Departments. Recently persistent reports have been heard of his retirement, actual or projected.

GENERAL TUAN CHIH-JUI.

General Tuan Chih-jui was appointed Minister of War on March 29. He is a partisan of Yuan Shih-kai, and he was the General who commanded the Imperialists before Hankow. He is a native of Anhui, and he promises to improve the equipment of the army. After his graduation from the military academy in Tientsin, he joined the army. Subsequently he became Yuan Shih-kai's right hand man in Chihli and was responsible in a large measure for the efficiency of the northern troops. General Tuan was the instigator of the refusal of the Imperialist officers to fight against the Republicans when the armistice had expired, and their action was an important factor with the Manchus in the arrival at the decision to abdicate the Throne.

ADMIRAL LIU KUAN-HSUNG.

Admiral Liu was appointed Minister of the Navy on March 29. He is a native of Foochow who was trained for some years in England and subsequently held a commission in the Chinese Navy. In his declaration before the Advisory Council he laid special stress on the development of the naval schools and the education of officers. He is of opinion that China cannot possibly possess a navy worthy of her in ten years.

HU WEI-TE.

Mr. Hu Wei-te, former Vice-President of the Ministry of Foreign Affairs, was appointed to remain in charge of that office until the arrival of Lu Cheng-hsiang, the new Minister, from St. Petersburg. He was for a number of years Minister to St. Petersburg and is well-known to foreigners. Since his return to China he has been engaged in the Foreign Office. Mr. Hu has now been appointed Comptroller-General of the Customs.

THE VICE-MINISTERS.

Foreign Affairs.—Dr. W. W. Yen (Yen Kui-cheng), a native of Shanghai. He studied at St. John's University and then proceeded to the United States.

Interior Affairs.—Jung Hsun is a Manchu.

Finance.—Chen Chin-tao. This official was educated abroad.

Education.—Fan Yuan-lien. Mr. Fan has a reputation as a Chinese scholar.

Justice.—Hsu Chien.

Agriculture and Forestry.—Chen Chen-hsien.

Commerce and Industries.—Wang Chen-ting, B.A., of Yale University, who returned to China last year. He assisted Dr. Wu Ting-fang in the peace negotiations last winter at Shanghai.

Communications.—Feng Yuan-ting.

War.—General Tsiang Tso-ping. General Tsiang has been arranging the disbandment of troops in Nanking with General Huang Hsing.

Navy.—Tang Hsiang-ming. A native of Hupeh, he received his early education at Liang Hu College, Wuchang. He obtained the degree of Chujen before proceeding to France for his naval training. After graduating from a naval college he spent a year on board a French cruiser and returned to China in the autumn of 1911. He is a nephew of Tang Hua-lung, President of the Hupeh Provincial Assembly.

THE METROPOLITAN OFFICIALS.

The following is a list of the Metropolitan officials:—

THE PRESIDENT'S OFFICE.

Liang Shih-yi.—Chief Secretary.
Feng Kuo-chang.—Chief of the Military Council.
Fu Liang-tso.—Vice-Chief of the Military Council.
Niu Yung-chien and Chang Shao-tseng.—Councillors.
Shu Ching-a, Ha Han-chang and Chang Chu-tsun, Advisors.
Wu Ting-yuan.—Aide-de-Camp.

THE CABINET.

Tang Shao-yi.—Premier.
Wei Chen-tsu.—Chief Secretary.
Hsu Pao-heng, Ou Keng-hsiang, En Hua, Ku Wei-chun, Liu Yuan-tzu, Lei Yen-shou, Tseng Wen-yu and Tan Tao.—Secretaries.

CENTRAL LEGISLATIVE DEPARTMENT.

Chang Tsung-hsiang.—Director.

CIVIL SERVICE BUREAU.

Chang Kuo-kan.—Chief.

PRINTING BUREAU.

Feng Tzu-yu.—Chief.

FOREIGN AFFAIRS.

Lu Cheng-hsiang.—Minister.
Yen Hiu-cheng.—Vice-Minister.
Chen Mao-ting, Tang Tsai-fu, Wu Erh-chang and Tai Chen-li.—Councillors.
Wang Kuang-chi.—Chief Secretary.
Jao Pao-shu, Shih Shao-chang, Chen Lu and Fu Shih-ying.—Department Chiefs.

INTERIOR AFFAIRS.

Chao Ping-chun.—Minister.
Yuan Hsun.—Vice-Minister.
Wu Chen.—Chief of Manchu police in Peking and Inspector-General of all troops and police in Peking.
Wang Chih-hsing.—Chief of the Chinese Constabulary in Peking.

FINANCE.

Hsiung Hsi-ling.—Minister.
Chen Chin-tao.—Vice-Minister.

EDUCATION.

Tsai Yuan-pei.—Minister.
Fan Yuan-lien.—Vice-Minister.
Chung Kuan-yuan, Ma Lin-yi and Hsiang Wei-chiao.—Councillors.
Tung Hung-wei.—Chief Secretary.
Yuan Hsi-tao, Lin Chi and Hsia Tseng-yu.—Departmental Chiefs.

JUSTICE.

Wang Chung-hui.—Minister.
Hsu Chien.—Vice-Minister.
Hsu Shih-ying.—Chief Justice of the High Court of Justice and Court of Law Revision.

AGRICULTURE AND FORESTRY.

Sung Chiao-zen.—Minister.
Chen Chen-hsien.—Vice-Minister.

INDUSTRY AND COMMERCE.

Chen Chi-mei.—Minister.
Wang Cheng-ting.—Vice-Minister.
Chao Chun-nien, Chang Hsin-wu, Chou Chai-jen and Chu Ting-chi.—Councillors.
Yang Pu-sheng.—Chief Secretary.
Liao Yen, Chen Chieh and Ho Chu-shih.—Departmental Chiefs.

COMMUNICATIONS.

Shih Shao-chi.—Minister.
Feng Yuan-ting.—Vice-Minister.
Yen Te-ching, Lung Chien-chang and Lu Meng-hsiung.—Councillors.
Tseng Shu-chi.—Chief Secretary.
Yen Kung-cho, Huang Wen-wei, Jung Yung-ching and Tso Ju-ying.—Departmental Chiefs.

WAR.

Tuan Chih-jui.—Minister.
Tsiang Tso-pin.—Vice-Minister.
Hsu Shu-cheng.—Chief Secretary.
Lin She, Shen Yu-wen, Weng Chih-lin, Lo Kai-pang, Fang Ching, Shih Erh-chang and Wei Chia-han.—Departmental Chiefs.

NAVY.

Liu Kuan-hsung.—Minister.
Tang Hsiang-ming.—Vice-Minister.
Huang Chung-ying.—Admiral of the Fleet.
Lan Chien-shu and Wu Ying-ke.—Vice-Admirals of the Fleet.

GENERAL STAFF.

Li Yuan-hung.—Chief.
Chen Yi.—Vice-Chief.
Liu I-ching, Kung Keng, Hsiang Lien-fen, Yao Jen-chih, Shih Chiu-kuang and Wu Jung-chang.—Departmental Chiefs.

SERVICE RECORDS.

Feng Tsze-yiu.—Director of the Provisional Bureau of Service Records.

OFFICIAL APPOINTMENTS.

Chang Kuo-kan.—Director of Bureau.

BANK OF CHINA.

Wu Tin-chang.—Director-General.

NATIONAL COUNCIL.

Wu Ching-hsien.—President.
Tang Hua-lung.—Vice-President.

PEKING GRANARIES.

Hsu Shao-chang.—Comptroller-General. Was formerly Chief of General Staff.

CUSTOMS.

Hu Wei-te.—Comptroller-General.

ADMINISTRATIVE AND AUDIT DEPARTMENT.

It is understood that Chen Chin-tao will be appointed Chief.

LOANS.

Hsu En-yuan.—Chinese auditor in connexion with foreign loans.

POLITICAL SOVEREIGNTY IN CHINA.

From The Nineteenth Century.

Like political upheavals in other ages and other lands, the Chinese revolution has been the outcome of the hopes and dreams of impetuous and indomitable youth. Herein lies one of its main sources of strength, but herein also lies a very grave danger. Young China today looks to Europe and to America for sympathy. Let her have it in full measure. Only let us remind her that the work she has so boldly, and perhaps light-heartedly, undertaken is not only the affair of China, not only the affair of Asia, but that the whole world stands to gain or lose according as the Chinese people prove themselves worthy or unworthy to carry out the stupendous task to which they have set their hands.

The grave peril lies, of course, in the tendency of the Chinese 'Progressives'—as of all hot-headed reformers, whether in China or in England—to break with the traditions of past ages, and to despise what is old not because it is bad, but because it is out of harmony with the latest political shibboleth. Those of us who believe in the fundamental soundness of the character of the Chinese people, and are aware of the high dignity and value of a large part of their inherited civilization and culture, are awaiting with deep anxiety an answer to this question: Is the New China about to cast herself adrift from the Old?

But surely, many a Western observer may exclaim, the matter is settled already! Surely the abolition of the monarchy is in itself a proof that the Chinese have definitely broken with tradition! Was not the Emperor a sacred being who represented an unbroken political continuity of thousands of years, and who ruled by divine right? Was not loyalty to the sovereign part of the Chinese religion?

These questions cannot be answered with a simple yes or no. Reverence for tradition has always been a prominent Chinese characteristic in respect of both ethics and politics. We must beware of assuming too hastily that the exhortations of a few frock-coated revolutionaries have been sufficient to expel this reverence for tradition from Chinese hearts and minds; yet we are obliged to admit that the national aspirations are being directed towards a new set of ideals which in some respects are scarcely consistent with the ideals aimed at (if rarely attained) in the past.

The Chinese doctrine of loyalty cannot be properly understood until we have formed a clear conception of the traditional theory concerning the nature of Political Sovereignty. The political edifice, no less than the social, is built on the Confucian and pre-Confucian foundation of filial piety. The Emperor is father of his people; the whole population of the empire forms one vast family, of which the Emperor is the head. As a son owes obedience and reverence to his parent, so does the subject owe reverence and obedience to his sovereign.

The Chinese annals are full of records of devoted sons and loyal subjects, but it is the twelfth century B.C. that furnishes us with the classical example of a union of the virtues of filial piety and political loyalty in the character of a single hero. Po-I was the eldest son of a Chinese tributary prince. He had two younger brothers, of whom one was named Shu-Ch'i. For some unexplained reason the prince nominated his second son, Shu-Ch'i, as his successor, but Shu-Ch'i was unwilling to accept a position which would make him superior to his elder brother, and thereby cause an infringement of the orthodox rules which declare that the younger brother must be subordinate to the elder. When the prince died, therefore, Shu-Ch'i fled to the wilds, in order to escape the succession. But the elder brother, Po-I, was as keenly alive to the sanctity of the filial relationship as Shu-Ch'i had been to that of the fraternal; and, on the ground that he could not act in opposition to his father's wishes, also declined the princely dignity. So he joined Shu-Ch'i in the wilds, and the princedom passed to the third brother, who apparently was less scrupulous. Po-I and Shu-Ch'i, having already suffered in the cause of fraternal and filial duty, subsequently proved themselves to be the champions of the principle of loyalty to their sovereign; for when the imperial sceptre passed to a new dynasty they refused to transfer their allegiance from the defeated house of Shang to the victorious house of Chou, and spent the remnant of their lives among the inhospitable mountains of what is now southern Shansi, where at last they died of cold and starvation. They are mentioned with high praise by Confucius; and Mencius declared of Po-I that he 'never allowed his eyes to look upon an evil sight or his ears to listen to an evil sound. . . . Therefore when men hear of the spotless reputation of Po-I, the boor becomes a gentleman and the moral coward becomes resolute in virtue.' All good Confucianists from that day to this have spoken of Po-I with unstinted praise; and a Confucian writer of our own age, whose tolerant interest in religious and ethical subjects carries him beyond the range of Confucian thought, refers to him as a Chinese Buddha.

Loyalty then is unquestionably an element of character which the Chinese hold in high honor. The domestic virtues have their political correlative. What filial piety is in the home, loyalty is in the State; and filial piety, as everyone knows, is the corner-stone of Chinese ethics. But there is this important difference between the position of an emperor and the position of a father of a family. The father rules by natural right, and in no circumstances can he be disowned or forcibly dispossessed by his son; the Emperor rules not by any natural or inalienable right, but solely by virtue of the *T'ien-ming*—God's Decree—which may be withdrawn from him by the divine power that bestowed it. The success or failure

of a revolutionary movement is the only certain test of the sovereign's continued right to rule. If a threatened dynasty is overthrown, no further evidence of its loss of the *T'ien-ming* is required; if on the contrary it succeeds in crushing its enemies, this is accepted as sufficient proof that the *T'ien-ming* has not yet been withdrawn.

Thus we find that the Chinese theory of kingship is not identical with that taught by the English seventeenth-century writers of the school of Sir Robert Filmer. The view set forth in such works as the *Patriarcha* was to the effect that no resistance to the will of the monarch can be justified, for the king is free from all human control and possesses an inalienable *divine right to rule*. The Chinese theory admits the monarch's absolute right to rule, so long as the right remains divine, but it does not debar the people whom he governs from putting the divineness of his right to the supreme test of the ordeal of battle. In practice it comes to this, that the Chinese believe not exactly in the Emperor's divine right to rule, but in his divine right to rule *well*. In view of this theory we need not be surprised to find not only that dynastic changes have been of frequent occurrence in China's history, but also that the imperial sceptre has not always passed from hand to hand in strict accordance with the rules of direct descent. The Emperor, as we know from recent examples, nominates his own successor, and may cancel a nomination already made; though in theory the nomination is made not by the reigning sovereign as such, but by God, who speaks or acts through the sovereign. In the 'Golden Age' of Chinese history emperors are said to have been so single-minded in their devotion to the interests of their subjects that they were willing to ignore the claims of their own families, and sought only to confer the imperial heritage on the man who had proved himself the worthiest to rule. The classic examples of this are furnished by the Emperor Yao (2357-2258 B.C.), who selected as his successor a man of the people named Shun, and by Shun himself, who made a similar selection of the flood-queller Yü. But we know from Mencius that in neither of these cases was the sovereignty really conferred by the Emperor in virtue of his own despotic authority. Mencius was asked whether it was the case that Yao passed the sceptre to Shun. 'No,' said the philosopher; 'such a power is not vested in the sovereign.' Then how did Shun come to possess the throne? 'Heaven bestowed it upon him,' replied Mencius.

In the four thousand years and more that have elapsed since the days of Yü, over a score of dynasties have in their turn received and lost the Divine Decree. The *Shu Ching*—the Chinese historical classic—gives us full accounts of the events which led to the fall of the successive dynasties of Hsia (1766 B.C.) and Shang (1122 B.C.). In both cases we find that the leader of the successful rebellion lays stress on the fact that the *T'ien-ming* has been forfeited by the dynasty of the defeated Emperor, and that he, the successful rebel, has been but an instrument in the hands of God. Thus the rebel becomes Emperor by right of the Divine Decree, and it remains with his descendants until by their misdeeds they provoke Heaven into bestowing it upon another house.

The teachings of the sages of China are in full accordance with the view that the sovereign must rule well or not at all. Confucius (551-479 B.C.) spent the greater part of his life in trying to instruct negligent princes in the art of government, and we know from a well-known anecdote that he regarded a bad government as 'worse than a tiger.' We are told that when one of his disciples asked Confucius for a definition of good statecraft, he replied that a wise ruler is one who provides his subjects with the means of subsistence, protects the State against its enemies, and strives to deserve the confidence of all his people. And the most important of these three aims, said Confucius, is the last: for without the confidence of the people no government can be maintained. If the prince's commands are just and good, let the people obey them, said Confucius, in reply to a question put by a reigning duke; but if subjects render slavish obedience to the unjust commands of a bad ruler, it is not the ruler only, but his sycophantic subjects themselves, who will be answerable for the consequent ruin of the State. So far from counselling perpetual docility on the part of the governed, Confucius clearly indicates that circumstances may arise which make opposition justifiable. The minister, he says, should not fawn upon the ruler of whose actions he disapproves: let him show his disapproval openly.

Mencius, the 'Second Sage' of China (372-289 B.C.), is far more outspoken than Confucius in his denunciation of bad rulers. There was no sycophancy in the words which he uttered during an interview with King Hsüan of the State of Ch'i. 'When the prince treats his ministers with respect, as though they were his own hands and feet, they in their turn look up to him as the source from which they derive nourishment; when he treats them like his dogs and horses, they regard him as no more worthy of reverence than one of their fellow-subjects; when he treats them as though they were dirt to be trodden on, they retaliate by regarding him as a robber and a foe.' It is interesting to learn that this passage in Mencius so irritated the first sovereign of the Ming dynasty (1368-1398 A.D.) that he caused the 'spirit-tablet' of the sage to be removed from the Confucian Temple, to which it had been elevated about three centuries earlier; but the remonstrances of the scholars of the Empire soon compelled the Emperor to revoke his decree, and the tablet of Mencius was restored to its place of honor, from which it was never subsequently degraded. It is no matter for surprise that the people have reverenced the 'Second Sage,' for he it was who has come nearest in China to the enunciation of the somewhat doubtful principle *Vox populi vox Dei*. We have already seen that according to Mencius's view it was not Yao who of his own free will bestowed the imperial power on Shun, but God, who through Yao made known his divine wishes. In the same passage we read as follows: 'The Son of Heaven (the Emperor) can present his chosen successor to God, but he cannot compel God to recognize his nominee. Yao presented Shun

to Heaven, and Heaven signified its acceptance of him. He presented Shun to the people, and the people, too, accepted him. He was the chosen of God and the chosen of the people: so he reigned.' Here we have the clear statement of a theory which closely resembles that which to this day underlies the coronation-rites of the sovereigns of Great Britain. The King rules both 'by the grace of God' and by the will of the people to whom he is formally presented.

It was unmistakably the view of Mencius that a bad ruler may be put to death by the subjects whom he has misgoverned. King Hsüan was once discussing with him the successful rebellions against the last sovereigns of the Hsia and Shang dynasties, and with reference to the slaying of the infamous King Chou (1122 B.C.), asked whether it was allowable for a minister to put his sovereign to death. Mencius, in his reply, observed that the man who outrages every principle of virtue and good conduct is rightly treated as a mere robber and villain. 'I have heard of the killing of a robber and a villain named Chou; I have not heard about the killing of a king.' That is to say, Chou by his rascality had already forfeited all the rights and privileges of kingship before he was actually put to death.

On another occasion Mencius was questioned about the duties of ministers and royal relatives. 'If the sovereign rules badly,' he said, 'they should reprove him; if he persists again and again in disregarding their advice, they should dethrone him.' The prince for whose edification the philosopher uttered these daring sentiments looked grave. 'I pray your Majesty not to take offense,' said Mencius. 'You asked me for my candid opinion, and I have told you what it is.'

Several other passages of similar purport might be cited from Mencius, but two more will suffice. 'Let us suppose,' said the sage, 'that a man who is about to proceed on a long journey entrusts the care of his wife and family to a friend. On his return he finds that the faithless friend has allowed his wife and children to suffer from cold and hunger. What should he do with such a friend?' 'He should treat him thenceforth as a stranger,' replied King Hsüan. 'And suppose,' continued Mencius, 'that your Majesty had a minister who was utterly unable to control his subordinates: how would you deal with such a one?' 'I should dismiss him from my service,' said the King. 'And if throughout all your realm there is no good government, what is to be done then?' The embarrassed King, we are told, 'looked this way and that, and changed the subject.'

The last of Mencius's teachings on kingship to which we shall refer is perhaps the most remarkable of them all. 'The most important element in a State,' he says emphatically, 'is the people; next come the altars of the national gods; least in importance is the king.'

These citations from the revered classics should be sufficient to prove that the people of China are not necessarily cutting themselves adrift from the traditions of ages and the teachings of their philosophers when they rise in their might to overthrow an incompetent dynasty. For it cannot be denied that China has known little prosperity under the later rulers of the Manchu line, and when the revolutionary leaders declared that the reigning house had forfeited the *T'ien-ming* we must admit that they had ample justification for their belief that such was the case. But many Western friends of China, while fully recognizing the right of the people to remove the Manchus, entertain very grave doubts as to the wisdom of abolishing the monarchy altogether and the establishment of a Republican Government in its stead. The *T'ien-ming* has always passed from dynasty to dynasty, never from dynasty to people. From the remotest days of which we have record, the Chinese system of government has been monarchic. If the revolutionaries can break with tradition to the extent of abolishing the imperial dignity, what guarantee have we that they will not break with tradition in every other respect as well, and so destroy the foundations on which the whole edifice of China's social, political, and religious life has rested through all the centures of her known history?

That there are dangerous rocks lying ahead of the ship of the Chinese State is to obvious to need emphasis: yet it would be rash and unfair to assume that the establishment of a Republic necessarily signalizes a break in the continuity of Chinese political life. There is in the nature of things no reason why the Divine Decree should be regarded as necessarily entrusted by Heaven to one man rather than to the people themselves or their chosen representatives. We have already seen that a Chinese Emperor is in theory presented to and accepted by the people; and indeed it may be said that his acceptance by the people is the surest indication that he is the true possessor of the Divine Decree. But if the sovereign power rests ultimately upon, or is inseparable from, the people's will, what is to prevent the people from bestowing that power upon delegates directly chosen from and by themselves? There is, indeed, no precedent for this course, for the so-called Republic of 841-828 B.C. cannot be regarded as such; but the mere absence of a true precedent will not, and should not, debar the Chinese people from adopting a system of government which they honestly believe to be adapted to the changed conditions of Chinese life, and need not necessarily imply more than a formal break with constitutional tradition.

Whether the Chinese people—as distinct from a few foreign-educated reformers—do, as a matter of fact, honestly believe that a Republican Government is adapted to the needs of the country, is a very different question. It certainly has not been proved that 'the whole nation is now inclined towards a Republic'—in spite of the admission to that effect contained in the imperial Edict of abdication. Perhaps it would be nearer the truth to say that the overwhelming majority of the people of China have not the slightest idea what a Republic means, and how their lives and fortunes will be affected by its establishment, and therefore hold no strong opinions concerning the advantages or disadvantages of Republican government.

It cannot be denied, however, that the social system under which the Chinese people have lived for untold ages has in some ways made them more fit for self-gov-

ernment than any other people in the world. It would be well if Europeans—and especially Englishmen—would try to rid themselves of the obsolete notion that every Oriental race, as such, is only fit for a despotic form of government. Perhaps only those who have lived in the interior of China and know something of the organization of family and village, township and clan, are able to realize to how great an extent the Chinese have already learned the arts of self-government. It was not without reason that a Western authority (writing before the outbreak of the revolution) described China as 'the greatest Republic the world has ever seen.'

The momentous Edict in which the Manchu house signed away its imperial heritage was issued on the twelfth day of February 1912. It contains many noteworthy features, but the words which are of special interest from the constitutional point of view I translate as follows: 'The whole nation is now inclined towards a Republican form of government. The Southern and Central Provinces first gave clear evidence of this inclination, and the military leaders of the Northern Provinces have since promised their support to the same cause. *By observing the nature of the people's aspirations we learn the Will of Heaven* (*T'ien-ming*). It is not fitting that We should withstand the desires of the nation merely for the sake of the glorification of Our own House. We recognize the signs of the age, and We have tested the trend of popular opinion; and We now, with the Emperor at Our side, invest the Nation with the Sovereign Power and decree the establishment of a Constitution Government on a Republican basis. In coming to this decision, We are actuated not only by a hope to bring solace to Our subjects, who long for the cessation of political tumult, but also by a desire to follow the precepts of the Sages of old who taught that political Sovereignty rests ultimately with the People.'

Such was the dignified and yet pathetic swan-song of the dying Manchu dynasty. Whatever our political sympathies may be, we are not obliged to withhold our tribute of compassion for the suddent and startling collapse of a dynasty that has ruled China—not always inefficiently—for the last two hundred and sixty-seven years. The date of the extinction of the Ming dynasty and the accession of the Manchus synchronises with a period which is of interest to all Englishmen, for at that very time England was convulsed by a momentous revolution of her own. Emperor and people confronted each other last winter on the plains of Central China just as the armies of the King and Commons of England faced each other in 1644 on the field of Marston Moor. The downfall of the English King was followed by a short-lived Commonwealth. The abdication of the Chinese Emperor has been accompanied by the establishment of a Republic which has still to prove itself worthy of a patriot's devotion.

There is something in average human nature which impels men to mourn with the conquered even when they have reason to rejoice with the conqueror. Nearly every lost cause has its romance; nearly every fallen champion makes a mute appeal, not in vain, to our sympathy. We must beware of allowing our emotional interest in a fallen dynasty to make us deaf to the cries that rose from the lips of a patient and misgoverned people to the ears of a corrupt and incompetent Court. Yet it is surely permissible to remind ourselves that even among the much-abused Manchu princes there are some who are far more deserving of compassion than of blame, and who, in a better and more wholesome environment, might have lived to earn the affection and gratitude, rather than the hate and scorn, of the people of China. In spite of his fatal weakness of character, it is difficult not to class among these the lonely figure of the unhappy ex-Regent. Those of us who remember Prince Ch'un as a courteous and gentle-mannered youth of nineteen years of age, who signalized his entrance into public life by bearing the weight of his country's disgrace at the Court of a Western monarch, will not be niggards of our pity for one whose brief and ill-starred career of earthly greatness ended, as it began, in the ashes of humiliation. Brother of a puppet-Emperor whose life was ruined by a woman's lust for power, father of an Emperor whose three years' reign came to an ignoble end before he had reached his sixth birthday, the ex-Regent must now prostrate himself before the shrines of his imperial ancestors and confess to the spirits of the august dead his share in the ruin of their house. 'There is a sacred veil,' said Burke, 'to be drawn over the beginnings of all government.' It is sometimes fitting to draw a sacred veil over the end as well.

The Abdication Edict cannot fail to be of interest to students of the science of politics. The Throne itself is converted into a bridge to facilitate the transition from the Monarchical to the Republican form of government. The Emperor remains absolute to the last, and the very Republican Constitution, which involves his own disappearance from political existence, is created by the fiat of the Emperor in his last official utterance. Theoretically, the Republic is established not by a people in arms acting in opposition to the imperial will, but by the Emperor acting with august benevolence for his people's good. The cynic may smile at the transparency of the attempt to represent the abdication as entirely voluntary, but in this procedure we find something more than a mere 'face-saving' device invented for the purpose of effecting a dignified retreat in the hour of disaster.

Perhaps the greatest interest of the decree centres in its appeal to the wisdom of the national sages, and its acceptance of their theory as to the ultimate seat of political sovereignty. The heart of the drafter may have quailed when he wrote the words that signified the surrender of the imperial power, but the spirit of Mencius guided his hand. It now remains for us to hope that the teachings of the wise men of old, which have been obeyed to such momentous issues by the last of the Emperors, will not be treated with contempt by his Republican successors. Let them remember that those wise men were not wise only in matters affecting state-craft and kingly rule. They were teachers of morals and builders of human character before they were political theorisers. Let the architects of the New China remember that they too, will assuredly be called upon to choose—not once, but many times—between obeying and disobeying 'the precepts of the sages of old,' and that the fate of their country and the welfare of mankind may be dependent on the way in which they exercise their choice.

R. F. JOHNSTON.

CHINA AND THE PROPHETS.

It frequently happens in this somewhat topsy-turvy world of ours that, while things of little or no importance create a vast amount of noise, occurrences of the greatest significance pass with but little attention. This has been exemplified once more in the comparatively little comment that has been bestowed on what may appear to future generations one of the greatest political events of the twentieth century—the adoption of a republican form of government by a race numbering more than one-fifth the population of the globe and a race which, until the very eve of this great innovation, has been generally asserted to be the most stolidly conservative and unprogressive in the world.

Perhaps one reason of the small amount of notice taken of this event has been that it was not only unexpected but that it came in defiance of all expectations and prophecies. When the Chinese Republic was declared there were none who were able to rise triumphantly and exclaim "I told you so!" The professed prophets, the wise men of the East and West, whose business it is to see further into the dark than other people can were silent because they could not find among their published utterances anything to display as proof that they had seen even the slightest into this particular darkness. The prophets who have prophesied concerning China ever since, let us say, the China-Japanese War, have been, in fact, remarkably "out." During the nineties, for instance, it was a settled thing that China was to be partitioned. Such an invertebrate mass, a country so utterly lacking in patriotism and efficiency, so helpless from its own unwieldiness, and so on, could not oppose any resistance to foreign ambitions. Little maps were published, showing how this greater Poland was to be divided up. The end of the century was reached and the partition of China did not seem any nearer. Then came the Boxer Rebellion which gave a new tone to the prophecies. Apparently the three hundred millions did count for something after all. China was for a short time depicted as a seething volcano, ready to pour forth a lava-stream of devastating hordes over the Western world; the scenes of the days of Timur and Genghis Khan might be repeated on a much larger scale. There were rumors in the sensational press of an enormous army being secretly trained in the remoter parts of China, and being armed with the most modern weapons.

The ease with which the Boxer revolt was suppressed soon gave another turn to the vaticinations about China. But the most important result of that outbreak was to convince the Chinese themselves of their powerlessness against modern organized nations and of the necessity of setting about the work of reform in real earnest. Telegraphs had long since been adopted and railways had made considerable progress; but now the introduction of modern civilized method in all departments was seen to be indispensable. From 1901 the air was thick with reform; great things were accomplished and wonders were expected. A revolution was indeed in progress, but it was a peaceful one, and from the apparent zeal with which the Manchu Government entered into the new schemes of Provincial Parliaments, training the country for a definitive Constitution to be proclaimed in a few years, everybody believed that the Manchus by wisely recognizing their best interests in time and affecting to lead the popular movements even if in reality they were only following them, had obtained a new lease of power. This belief was strengthened by the calmness with which the death of the Empress Dowager, following with such tragic suddenness on that of the young Emperor, was received. It was for years believed that a cataclysm would follow the death of this remarkable woman; yet the crisis was taken quite calmly. There was, it is true, a revolutionary party, the Kao-lao-hui, which advocated the deposition of the dynasty, its leaders being chiefly Chinese who had been concerned with the unsuccessful attempt at reform which preceded the *coup d'etat* of 1898 and who had since then been living in exile. But this party, which gathered various dissatisfied elements, was not supposed to be numerically strong. An outbreak was not thought likely, success still less possible. So clear-sighted an observer as T. F. Millard wrote in 1909: "Some of these revolutionists desire to create a republic, but more intelligent ones probably know that a republic is impossible as China is now constituted, and prefer to place a new dynasty on the throne, founded by an Emperor selected from the ablest of the revolutionary leaders. In short the ideal of the Kao-lao-hui is to discover a Chinese Napoleon who will regenerate the Empire and lift it into the front rank of nations." Always the idea of regeneration by bloodshed and brute force. But the Chinese as a nation do not wish for a Napoleon, still less for the epoch of sanguinary disorder which is the necessary condition for the career of such a man. They are a peaceable, mercantile race whose desire is to improve their material conditions and to be treated with common justice by the so-called Christian nations. They will no doubt arm to the extent necessary for protecting themselves against aggressions such as they have hitherto been obliged to endure tamely but the fear that they will become a great military and conquering nation is little likely to be realized.

Still less probable it is that they will accept the leadership of Japan in a common struggle against the white races. Chinese and Japanese are decidedly more dissimilar than French and English and are much more likely to remain permanent rivals and antagonists than to act together in any offensive arrangement. Moreover, the Chinese, though a commercial nation and despising war, are not less convinced of their own superiority to the Japanese than the Japanese are of their superiority to the Chinese and would laugh at the idea of submitting to the hegemony of the smaller nation. They have two proverbs which mark both their dislike of militarism and the difference of their character from that of the Japanese. "One stroke of a civilian's pen" they say "reduces the military officer to abject submission," and "of good iron you do not make nails, of good men you do not make soldiers." If found absolutely necessary, however, China has plenty of the kind of metal required which can be used and then put aside, without imperilling the supremacy of the civilian in Chinese government and social life.—*Japan Advertiser.*

CHINA'S BUDGET.

ESTIMATED EXPENDITURE.

From the N. C. Daily News Correspondent.

PEKING, MAY 10.

The Chinese Press gives the following additional details of this year's estimated budget:

ORDINARY EXPENDITURE.

	Tls.
Executive Affairs	26,069,666.97
Foreign Affairs	3,375,130.01
Interior Affairs	19,735,787.63
Financial	17,703,545.68
Maritime Customs	5,748,237.45
Native Customs	1,460,332.70
Commercial Affairs	745,759.04
Educational Affairs	12,801,468.59
Judicial Affairs	6,616,579.19
Naval and Military Affairs	83,498,112.40
Industrial Affairs	5,315,606.68
Communications	48,898,355.98
Works	2,511,257.23
Official Property	7,696,361.78
Provincial Indemnities	39,120,732.92
I. M. Customs Indemnities	11,263,547.78
Native Customs Indemnities	1,256,491.83
Territorial	1,239,908.41
Total Tls.	295,256,882.27

PROVISIONAL EXPENDITURES.

Executive Affairs	1,258,184.99
Foreign	626,177.65
Financial	2,877,904.21
I. M. Customs	9,163.09
Native Customs	40,576.19
Civil Affairs	2,724,974.35
Commercial	54,037.42
Educational	3,348,061.47
Judicial	218,746.30
Naval and Military	14,000,540.01
Industrial	667,154.95
Communications	7,804,908.30
Works	2,576,137.36
National Credit Notes	4,772,613.94
Total Tls.	40,979,180.23
Tls.	295,256,882.27
Grand Total Tls	336,236,062.50

Income in accordance with statement already (?) published Tls.	296,962,721.97
Deficit	39,273,340.53
	336,236,062.50

CENTRALIZATION OF AUTHORITY IN THE NEW CHINA.

From the St. John's Echo.

According to the foreign observer, one of the most precious attributes of the Chinese people is accessibility to reason. I think he is not mistaken. Perhaps it is not a bit of Chauvinism for me to point out that the manner and method in which the great political revolution was conducted—orderliness, soberness, respect to women and children, solicitude for the safety of the foreign residents, and calmness, dignity, and temperateness on the part of the leaders—are sure to gain, as, in fact, have already gained, respect from any fair-minded onlooker. Neither has the career of reconstruction a bad start. In spite of the small amount of friction as regards the questions of the location of the capital and the formation of the Cabinet, settlement was amicably and speedily reached, possibly out of respect for the mandate of the public opinion.

During the time of the revolution, especially when the movement of secession spread over the southern provinces. I, in common with many other men, had great apprehension over the future of the country, especially in view of the fact that theories favoring and advocating the adoption of the confederate system were set up and pressed with considerable force. At present it is a great relief to learn that the provincial secession is proved to be merely a makeshift in the state transformation from absolutism to democracy. So soon as the circumstances which demanded the employment of such makeshift passed away, the talk of confederatism was heard of no more; on the contrary, there is every indication that the various provinces have been ready and willing to submit to a central Government in so far as they sent their delegates to the Council at Nanking and in their election, through their representatives, of Yuan Shih-kai as the President of the Provisional Government.

In fact, how can it be otherwise? China is almost a complete national state: throughout her long history of over four thousand years, unity is the rule and division the exception; over the whole extent of the vast territory, the inhabitants belong to the same race; and with the people there is the common consciousness of right and wrong, one and the same written language, the common tradition, the common history. To split such a state into a number of confederate states, granting it be possible, is to return to barbarism. Even the division of the country into a Southern and a Northern State, which once looked impending, would weaken itself to such an extent that it would take a considerably long time before she would be restored to her former condition.

But it must be clearly understood that the confederate system is not the same as the federal system and that central government is not incompatible with either of the above systems. In the confederate system, as was the case with the United States of America before 1787, the different states constitute separate sovereignties, co-extensive with their several territories, and the central Government is nothing more than an assembly of ambassadors: while in the federal system there is only one sovereignty

over all the states (or to be correct: commonwealths), which distributes powers and duties between the central Government and state Governments. Either may, in some instances, act as the agent of the other, but there are defined domains for both, into either of which the other is prohibited to intrude. Over against the federal system of the United States of America, there is the prefectural system of France, in which the existence of the local autonomy is statutory and may be changed or swept away at any time by the central Government! The centralization, is in principle, absolute, and may be put into practice if the Government sees fit.

In China, it is almost certain that the confederate system will have no place, but whether the American or French system will be adopted will depend upon the wisdom and far-sightedness of the National Assembly, for by that body the constitution of China will be framed. From the utterances of the leaders of the revolution it seems that the federal system will be the choice of the nation; but from the traditional system of administration along with the creation of the Cabinet (or Ministry) and of the office of the Prime Minister, it looks as though the French system is going to be adopted. In each of the two systems there are advantages. In the French system the advantages are its adaptability to the character of the people, facility in execution, freedom from unnecessary friction in diplomacy, and economy in administration: whereas in the American system there are the advantages of free development of local superiorities, teaching of responsibility and independence, and its general suitability to a state of considerable area. Without stating the disadvantages of both, and while being alive to the advantages of the latter, it may be mentioned that the adoption of the federal system by the United States was not out of any deliberate choice but was thrust upon her as a necessity. In spite of the statement advanced by the strong supporters of the national view that the nation is older than the states, the fact remains that there were at first separate states on the New Continent, and these separate states, feeling the necessity of combining for mutual and common good, surrendered their sovereignty or portions of sovereignty to form the central government. It is just on this point that Calhoun sought to justify the nullification of South Carolina. The principle was, he said, "that the Constitution was made by the States, as sovereign bodies, and that through it the States created only a governmental agent for their general affairs. The term or phrase of the United States was only the name of the general governmental agent of the States. Sovereignty was in the States only. Consequently, when the United States assumed powers not conferred by the States in the Constitution, the States, by virtue of the sovereign attribute, might and should interpose, interpose individually, not collectively as they, of course, might do constitutionally through the regular form of procedure for amending the Constitution." It was in a similar way that the Southern States sought to justify their secession. I cited this paragraph for the purpose of supporting my statement that the adoption of the federal system in the United States of America was not out of deliberation but as a necessity; and it was the same with Germany and Switzerland.

While not venturing a prophecy as to which of the two systems will be adopted by the National Assembly nor uttering my opinion as to which of them is decidedly better than the other, I do not hesitate to say that a strong Government should be formed, strong enough to effectively deal with foreign nations and preserve domestic peace. From the view of political science, the recent revolution is nothing more than the stepping out of the real state to save its own life (I say the real state, because sovereignty had passed from the Emperor to the people), and adjust anew the domain of government with that of civil liberty by a written instrument. But it is only natural that, as a reaction of the past régime, an unduly large domain may be allotted to individual liberty to the detriment of the efficiency of the government. As Bluntschli says, the end of the state is the development of popular genius, the perfection of the popular life. To accomplish this end the state must establish the reign of peace and law, *i. e.*, it must establish government with sufficient powers to defend the state against external attack and internal disorder. If it be necessary that the whole of the state power should be exercised by the Government in order to secure this result, there should be no hesitation in authorizing or approving it. In pursuance of this principle the Government, or rather the President, of the United States may suspend all civil liberty within the theatre of war. However, this state of things is only temporary, for it tends to suppress the genius of the people. As soon as the circumstances demanding this arrangement are over, the inhabitants of the district should be restored to their civil liberty. And the state, in proportion to the advance of the educational standard of the people, should, from time to time, readjust the relation of government to liberty, taking the Government as a mere instrument for the gradual and final accomplishment of the grand end of the state, *i. e.*, the development of the popular genius, the perfection of the popular life. In accordance with this principle the domain of civil liberty should be narrow at first, and widened according as the educational standard and capability of self-government of the people advance. But whether the domain of civil liberty be narrow or wide, constitutional provisions to that effect should be distinctly made so that in ordinary times the Government may not intrude upon the sphere of civil liberty, and the latter may be specially protected, in view of the fact that in a struggle between the two, Government always stands on the advantageous ground.

It is usual and natural that the people of any such country as China at present entertain suspicion and distrust not only of government in its relation to civil liberty but also of the executive department in its relation to the legislative and judicial departments of the Government. In France, the President is not given the veto-power, and his acts, either executive or administrative, must be countersigned by the Ministers, severally or jointly, in order to be effective. The constitution pronounces this principle in these words: "The Ministers are collectively responsible to the Chambers for the general policy of the administration, and individually responsible for their own personal acts." This principle seeks to unite the elective tenure with the position and relations of a constitutional king. It looks incongruous, but it is a compromise inasmuch as this bit of seeming incongruity combines monarchical traditions with republican principles.

However, in the United States, after the experiences of continental congress, the power and authority of the President seem to be strong enough to discharge all the duties required of him. They embrace the political power, which is sometimes exercised by and with the advice and consent of the Senate acting as an administrative council, and the administrative power which relates entirly with the internal affairs. The latter power again consists of two classes of minor powers, namely, the power over the personnel and the power over the service. With the con-

sent of the Senate for the most important officers he has the sole power to appoint, remove, and direct all the subordinates. As to the power over the service, he, as a result of his constitutional duty to see that the laws be faithfully executed, has the right as well as power to perform a series of acts in the different branches of the national administration.

In case an unforeseen defect be discovered in the course of the execution of the constitution and the laws passed in pursuance thereof, the principle of indemnification comes to the rescue. For example, on the 10th of May, 1861, Abraham Lincoln, the President of the United States, issued a proclamation suspending the writ of *habeas corpus* in certain islands upon the coast of Florida. In his message of July 4th, 1861, the President informed the Congress that he had authorized the commanding general to suspend the writ of *habeas corpus* without limitation as to place. There is no question that the Government may suspend the writ of *habeas corpus*, when it deems the act to be necessary to the public safety. But one of the questions in regard to the subject is whether the Congress or the President is vested with this power. The question at issue was settled by passing a law declaring the President authorized "to suspend the writ of *habeas corpus* in any case throughout the United States, or any part thereof."

Now in China, whether the American federal system or the French prefectural system will be adopted, and to what extent, power and authority, both political and administrative, will be marked out for the President, will, as I said before, depend upon the wisdom and far-sightedness of the framers of the constitution. It must not be thought that I am an opponent of republicanism and civil liberty. On the contrary, my writing of this article is out of keen solicitude for the preservation of republicanism and attainment of civil liberty, for republicanism and civil liberty connote government, strong government, strong as the people's self-government is weak. Certainly, I could write column upon column and page upon page exaggerating the importance of individual liberty and belittling the functions of government so as to pander to the anarchistic tendencies of the human heart. But I prefer to incur the displeasure of the people for a while, if that should be the case, rather than consciously commit a crime against what I conceive to be the truth.

HAWKLING L. YEN.

THE DEVELOPMENT OF MINES IN THE NEW CHINA.

From the St. John's Echo.

The vastness of China's mineral resources can be illustrated from several facts. In spite of her continuous use of metals for thousands of years long ere Europe was civilized, her underground wealth is practically untouched.

That the coal deposits in Shansi alone will be able to supply China's fuel and motive power for the next three hundred years is but a conservatively moderate estimate by economic geologists. Richthofen estimated the area of the field in this province as 13,500 square miles, and Drake estimated the average workable thickness of the anthracite seams as 22 feet, and Read figured a yield of over 22,000,000 tons per square mile of workable area. This corresponds to a total yield of over four hundred billion tons of anthracite from Shansi alone, without taking into consideration the unknown and unexplored districts in the province. The anthracite coal resources of this part of China are at least equal to those of the United States, at present the leading coal producer in the world.

The world steel manufacturers will, in the near future, encounter a serious problem of the exhaustion of high grade iron ores, while China is blessed with immense ferro-deposits of high quality and richness practically undeveloped. Iron is the second in importance of all mineral resources of China, and the security of the future of China as a mineral producing nation is easily appreciated, since it is founded upon an abundant supply of coal and iron, the two bases of industrial development.

Users of tin and antimony will have to look for their supply in southwestern China in future. This is more than a prediction, entertained by many leading mining engineers and geologists. Despite the crude method of extraction and smelting, China is already an important producer of tin, furnishing at present about 5 per cent. of the total production of the world, and possesses also the distinction of being first and most important in the production of antimony.

With adequate transportation facilities, Szechwan and Shensi will soon become the most notable petroleum producing districts in the world. In fact, already a native company, operating near Yenchang in Shensi, is now selling oil throughout this province in active competition with the foreign product.

Any attempt to enumerate the vastness of China's metallic and non-metallic wealth will be equal to the task of compiling the mineral resources of the country. Suffice it to say that China's mineral resources will be not only sufficient to supply herself in the developing and furtherance of her industrial enterprises, but will find a place in the world's market.

In spite of the vastness and richness of her natural hidden wealth, China to-day is practically a bankrupt nation and is now in direful need of money to run the government for the next few months. It is not the purpose of this article to inquire into the causes contributing to the present state of national poverty, but to devise means for promoting mining industry by which China's wealth can be increased. That there exists an intimate connection between the development of the mineral resources of a country and the economic and political independence of the land is indisputable. It is true that agriculture, manufacturing and other industrial enterprises may ultimately be the great factors in the development of the great New Republic in the Far East, yet industrial supremacy is directly traceable to the amount of mineral production. The rapid progress of the United States of America and her leading position in the industrial world have been admittedly attributed to the active development of her mineral resources. Therefore, the immediately practical and surest extension of China's national activity is in the line of developing her mines.

When peace and order are established throughout the country and the stability of the new Government is assured, the first and most important measure which the statesmen and financiers will have to consider, will undoubtedly be the exploitation and opening up of the natural resources of the country. Not until then can China's mines be developed, for a stable Government is a necessary condition for all successful national undertakings, either financial or industrial. Without confidence

in the ability of the Government, credit can not be established both abroad and at home, and investment without protection and under unstable Government offers no good inducement to the capitalists.

Before taking into consideration the means and ways for promoting mining industry, it will not be out of place to point out those essential conditions that are closely allied to the profitable development of the country's mineral resources.

The transportation facilities, above all, must be promoted. This is a significant step, leading to the prosperous development of the country. The great obstacle to the mining industry is the absence of a road system. Except a few military roads, now almost impassable, there are no thoroughfares in China; that is to say, there is no land which is set aside as a right of way, belonging to the commonwealth. The development of an interurban road system is more urgent than apparent. It is true that railways have often been proved to be pioneers in exploitation of wild and virgin fields, but a national road system will improve greatly the transportation facilities. Freight charges constitute one of the chief items of mining. It is therefore, evident that without proper transportation facilities, mining can hardly be conducted on a commercial scale. Only ores of excellent richness can be worked with profit, while minerals of fair grade can hardly be mined with profit after deducting the high transportation cost. The initial requirements are, therefore, the construction of a road system and railroads and extension of steamship lines to link the interior provinces with the ports in order to attain a healthy development of China's mines.

The proposed abolition of likin levy, hitherto the greatest menace to commerce and industry, will remove also one of the chief obstacles to the mining industry. But taxes on landing and other forms of excise, the remains of the corrupted Manchu government, are still in existence. Exactions of such a nature serve only as barriers to industrial enterprises, and they must be terminated as soon as the Government can be independent of such injurious revenues.

The preservation of national timber lands has a direct bearing on mining aside from the fact that the recent floods and devastation of the fertile fields have been chiefly due to the lack of forest protection. In spite of the recent adoption of reinforced concrete timbering, the use of steel beams and columns for supports, and many modern methods of mining without timber, the use of timber in underground supports and its numerous applications in extracting ores are still and will always be indispensable. In looking over the reports of mining companies, the cost of timbering is a very significant factor. The indiscriminate cutting of trees in China for thousands of years without planting others in their stead has practically rendered the mountains and hills throughout the country bare and barren. The native method of smelting copper ores with charcoal has to be abandoned on account of the exhaustion of timber supply. Not only in mining but also in building railroads and in engineering constructions, the question of timber supply has to be solved sooner or later. It is gratifying to note that this problem has received its due share of consideration by the new Government, and a bureau of forestry has now been incorporated with the department of agriculture. It is hoped that proper forest laws in conformity with the existing condition will be enacted and strictly enforced; but, above all, national forest reservations should be established at once throughout the country. In the matter of silvaculture and forestry legislation, China has much to learn from Germany, where the system has attained a high degree of perfection.

How to promote the mining industry directly in the new Republic of China is a problem which will be discussed here. Among the more important and much needed measures, are the following.

The revision of the mining code to meet the existing condition is a task now facing the Department of Industry. Theoretically the mineral wealth of the country is the property of the central government, and is only worked by permission upon a royalty basis. Practically this is difficult to enforce, and there have grown up complicated relationships that have greatly retarded the progress of mining, and hampered the development of the mineral industry. A simple, direct, and effective code of mining regulations is the only solution.

In executing this task of revision, the Government needs the service of practical mining men who understand the existing condition of mining. The work can not be prosecuted by lawyers alone, but in conjunction with those who have a modern technical knowledge of mining. A little illustration will make this point clear. The case of classifying the coal fields or ore deposits can not be satisfactorily decided by a lawyer if he is not versed in economic geology, nor can he define the technical mining terms as to what constitutes a vein and what constitutes a lode. Confusion of such apparently simple mining terms has given rise in other countries to serious litigations between rival claimants or operators, which have greatly obstructed the progress of the mining industry. China should profit by the experience of other nations, and in revising her mining laws she should guard against all possible misconstructions at the outset.

While enough encouragement in form of liberal grant of claims should be given to those who make actual progress in developing their mineral properties, special laws should be provided against those who hold mining claims for speculating purposes. The so called "wild cat" scheme of promoting mining companies has given the mining industry a bad name; and consequently investment in developing mineral properties has been looked upon with more or less suspicion. China in her infant stage of development could not afford to tolerate such illegal practices; drastic laws governing such acts should be provided and enforced.

The new mining law should regulate the judicious practice of mining in order to minimize the amount of waste, consistent with economic extraction. The movement of conservation of natural resources is gaining ground in all lines of industry. China, in spite of her vastness of underground resources, can not afford to cast away those apparently useless wastes which will turn into productive wealth to-morrow. Formerly, small-sized dust coals were thrown away as wastes, but now special methods are devised to mine the coal waste dump on a commercial scale. Slags, tailings, and low grade copper ore were thrown away yesterday, but to-day copper deposits, assayed even below 1 per cent. are extracted with great profit. The unrecoverable waste from mines in the past has been calculated to be worth more than billions of dollars to-day. Conservation should be the guiding principle in the course of developing the mineral resources of the country.

The organization of a national geological survey is an immediate need. The relation of the geological knowledge of the country to mining is very close. The necessity of having such a scientific as well as economic institution has long been felt, not only by miners but by engineers who, when called upon to examine engineering locations or to report on mineral properties, have not been able to obtain any data or information regarding the geological, topographic, or physiographic features of the country. What they can obtain in some cases is a meagre account by some

foreign travellers or report by some foreign exploitation parties.

We have now only a hazy idea of the vastness of China's mineral wealth, but if asked to give a definite account of any mineral deposits with regard to the geological and mineralogical characteristics in a certain locality we have no means of obtaining any information save by private and independent investigation. Now if any private enterprise is interested in a certain mining proposition in a remote district, the initial expenses for conducting such investigations are beyond its financial ability. Such investigations for furnishing information properly belong to the work of the Government. All civilized nations have maintained geological and mineralogical surveys, and that China, with her immense value of natural resources, should neglect such an important national institution and seek information in regard to her own country from Westerners is a stain in the scientific world. The imperial Geological Survey of Japan has published several good papers on the geology and mineral resources of Manchuria, while China, which under the late Manchu rule avowedly diverted all her energy and finance into the Eastern Three Provinces, has not produced any appreciable and definite information regarding the natural resources of this important territory. This is a question to be seriously reflected upon by thinking Chinese.

The function of such a survey is not limited to the investigation of the mineral resources but to carry on such useful and urgent works as irrigation, mapping topography of the country and examination and developing water supply, both surface and underground.

It is a regrettable fact that China has not up to the present utilized the scientific and geological investigations on our country, conducted by such well-known foreign geologists, mineralogists, and mining engineers as Baron von Richthofen, Pumpelly, Duclos, Le Clere, Willis, etc., while Japan has taken keen interest and advantage of the services of professional scientists and engineers from Europe and America. The embryo of the present Imperial Geological Survey of Japan is the work of an American geologist, Benjamin S. Lyman, who first conducted the geological survey of the Yesso Island from 1872-1879. In 1870, the Japanese Bureau of Mines engaged the noted German geologist, Baron von Richthofen to prospect mines and to promote the establishment of a mining school.

The lack of well-trained men in prosecuting the geological work demands the services of foreign scientists and engineers. They are needed not only to conduct investigations but to train Chinese in the science of practical geology.

The relation of the geological survey to the development of the country's mineral resources is so intimate that the organization of such a national bureau should receive the immediate action of the Government authorities. The present bureau of land surveying under the Department of War is utilized only for military purposes and boundary survey, and has little economic bearing to industrial enterprises. Mr. Read, in his recent article on the Mineral Production and Resources of China, concluded that the development of the mineral resources of China would be greatly aided by the creation of a National Geological Survey and that this branch of geological work would redound to the immense benefit of the mineral industry.

The establishment of a mining bureau on a purely technologic line will stimulate greatly the people's interest in the science and art of mining and is an essential step in promoting mining industry. The present bureau of mines in some provinces is in the nature of a land office and is inadequate to meet the demands and needs of mining. Samples of ores and minerals, which can be easily determined and assayed, have been sent abroad for investigation, not only incurring heavy expenses but often securing misleading results. The proposed bureau should conduct analysis and tests of minerals, ores, coal, and other mineralized substances in the country, make investigations into the treatment of ores and other mineral substances, with special reference to the preservation of waste in mining and smelting and utilization of important mineral resources. Mining methods, especially in regard to the possible improvement of conditions under which mining operations are carried on, can be investigated in this bureau. Investigations should also be conducted to find out the causes of mine explosions, the appliances best adapted to prevent accidents, especially with reference to the safety of miners. In a word the chief functions of the Bureau of Mines is to conduct inquiries and technologic investigations pertinent to the healthy development of the mining industry.

In order to lead the mining industry into a new trend, the new Government should take over some already opened mines under its control or develop some new mineral lands as model mines. These mines are to be supplied with required capital, equipped with modern machines, and conducted and managed by well-trained, experienced, and efficient mining engineers. Foreign engineers are indispensable, and they are to be distributed to the various Government mines until the time when they will be displaced by Chinese engineers trained under them. These mines are not experimental mines in the true sense of the word, but are to be conducted on the commercial basis. In this way practical examples of mining can be given which will gradually arouse the people from their long sleep. Not only the Government can increase its source of revenue but the people will learn the modern practice of mining, which in turn will be propagated in all the mines throughout China. Japan tried this scheme with wonderful success. In reporting the results of the judgment of the Fifth National Exhibition at Osaka in 1903, Prof. W. Watanabe, President of the Mining Institute of Japan and member of the jury, said that the establishment of typical mining works by the Government, and the introduction of foreign technics are among the chief reasons why the mining industry has made an incomparably rapid progress in Japan.

Lastly the propagation of scientific and technical education is the most urgent need of the day. The lack of properly-trained engineers and industrial workers has been felt not only in mining but in various branches of industry. It is true that China can not be independent of foreign service and assistance in her industrious regeneration, but she can not depend upon foreigners to render her faithful services; she must train her own citizens.

The degradation of technical education is directly traceable to the great emphasis laid upon literary accomplishment. That scientific and technical attainment should receive equal recognition and dignity is but a mild way of encouraging professional education. The establishment of mining and engineering schools is one of the most important ways of meeting this end. In future, a sufficient number of engineers will be supplied but the demand for well-trained men will far more than exceed the supply. Intellectual progress must precede material progress.

China has hundreds of things to do at this present juncture, but the first and the most urgent act will be the development of the natural and mineral resources of the country. It is gratifying to note that the public has awakened to this important question and that the keynote of the present administration is to promote industry. But, above all, let it be concluded that the progress of industry depends before anything else upon the wise administration of the Government and the initiation of those absolutely necessary reforms as briefly outlined here. Financial stability and political independence rely chiefly upon the industrial attainment.

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HONGKONG'S COMMERCIAL YEAR

(*By Consul General George E. Anderson*)

The 1911 trade year in South China had peculiarly mixed results. Its close found commercial circles surrounded with revolution and complaining of depression and stagnation. Practically all local comments upon the year's trade in Hongkong were unfavorable. Nevertheless, both in imports and exports the record of 1910 was equalled and in most cases exceeded, while in few lines was there any greater stagnation than in the previous season.

The general opinion in commercial circles seems to be that while the volume of business was as large or larger than in 1910 it was done at a smaller profit; and in several commodities the year's trading resulted in immense losses.

Exporters of tin, silk, rice, and various other lines after buying a considerable stock were forced to sell at a loss, partly because of a collapse in their special lines and partly because of the revolution's interference with the movement of supplies. Similar losses and small profits seem to have been characteristic of the trade of all China and the Far East.

CAUSES OF LOSSES IN TRADE.

Native competition with foreign firms, increasing production of standard goods for export, and increasing direct connections between middlemen and manufacturers have been reducing the margin of profits in trade for a number of years and the business of the country is gradually getting on a new basis.

Political conditions in South China restricted the importing powers of the people and interfered with production and movement of goods to seaboard. An incipient revolution in Kwangtung Province in the spring led to disorder in many of the southern districts, caused nearly 100,000 people to leave their homes and congregate in Hongkong and other ports, even as far north as Shanghai, and led to money hoarding, credit restriction, and general trade disturbance.

Uncertainties of the situation were such that in some respects the actual outbreak of the revolution in October was a relief to business men, as there was a feeling that it was the beginning of the end of trouble in South China and that whatever the outcome it was bound to be better than conditions which had existed for years. It is significant that the worst quarter of the year as regards Hongkong-American trade was the third, before the revolution came.

THE FINANCIAL SITUATION.

The outbreak of the revolution in the autumn resulted in an increased demand for silver and rising exchange checked exports materially, though the condition of the country prevented a corresponding increase in imports. The course of exchange during the year was, on the whole, quite favorable as it remained fairly steady during the first nine months at 42.25 to 43.2 cents gold to the Hongkong dollar, based on London exchange. The lowest rate was 42.125 and the highest 44.75. In October, practically coincident with the beginning of the revolution, commenced a steady rise in silver and exchange. Since the beginning of 1912 rates have gone higher than for years, telegraphic transfers just before the Chinese New Year being quoted at 2s. on London or 48⅝ cents on the United States. On the whole, however, the revolution has produced much less disturbance financially than might have been expected. The worst effect commercially has been that foreign middlemen were forced to withdraw credit from Chinese buyers, and this restricted business more than any other single element.

Banks, as a rule, paid their usual dividends, though with more difficulty than usual. Transactions in stocks were on a smaller scale, during the latter half of the year particularly, and shares ranged much lower in price than for several years past, though this was due largely to the rubber-share speculation along the China coast during 1910.

TRADE WITH THE UNITED STATES.

The total trade of Hongkong with the United States in 1911 increased immensely over that of 1910 and all previous recent years, due to the extraordinary imports. Hongkong's exports to the United States, including Hawaii, showed but a slight decrease compared with 1910 and were in excess of those of 1909.

The balance of trade was in favor of the United States by about $4,500,000 gold. American exports amounted to about $8,500,000 gold and Hongkong's exports to the United States to substantially $4,000,000 gold. However, Canton's exports to the United States, aggregating about $7,000,000 gold, with substantially no imports except through Hongkong, made the net balance of trade in this part of China about $2,500,000 against the United States, as compared with a balance against the United States of perhaps $5,000,000 in 1910.

There was a heavy movement of money from Chinese and others in the United States to correspondents in and near Hongkong. Local bankers estimated the total valuation of drafts sent from the United States at $100,000,000 silver or about $42,500,000 gold. This sum covers the balance of trade and also the savings of Chinese in the United States, including remittances for speculation in silver exchange. Most of these drafts were covered by shipments of silver from North America and by drafts to cover purchases of silver in India through London.

The imports from the United States accounted for the chief increases in the import trade of Hongkong in 1911. American flour at present dominates the market completely, and American oil made up more than half of the total amount imported. The trade of this part of China in oil at present has settled down to competition between dominant American oil interests and the producers in the Dutch East Indies.

American cotton goods sold in Hongkong in 1911 amounted to more than twice those of 1910, although the total value of the trade does not yet exceed $100,000. Most of the American goods are still in warehouses because of the unfavorable state of the trade generally. In cotton yarns American manufacturers could reach only the knitting-yarn trade, but in that line they dominate the market.

While the material increase in American imports consisted almost entirely of flour and kerosene, the trade as a whole is more satisfactory than at the close of 1910; more American manufacturers and exporters are represented by agents, and their representation has improved. American exporters are displaying more interest in this market and their goods are in better estimation and repute.

Although the exports to the United States and Hawaii decreased by about 2.3 per cent., there was an actual gain during the last half of the year when the disorder might have explained a less favorable record.

The total exports from Hongkong to all American territory during 1911, including $5,509,792 to the Philippines, amounted to $9,839,188, as compared with $9,348,853 in 1910 and $8,344,885 in 1909.

TRADE WITH THE PHILIPPINES.

The trade with the Philippines reflects the constantly improving conditions there. Imports from the Philippines were less than in former years for the reason that a large share of the trade which formerly went through Hongkong now goes direct. There was also a decrease in imports of Philippine sugar, since the United States now takes nearly all of the Philippine output.

Hongkong exports to the archipelago, however, show constant increases from year to year, the record of 1911

being the best in the history of the trade. As the value of Philippine exports to Hongkong during 1911 probably did not exceed $1,000,000 gold at the outside, the balance of trade against the Philippines was at least $4,500,000, covered largely by heavy remittances from the United States.

Imports of Philippine goods for local use, notably native products like hats, embroideries, fruits, and the like, are considerably on the increase, and there is a strong movement to start a special store for the sale of these products. But the export trade of products for further distribution, such as sugar, hemp, copra, etc., is rapidly disappearing. Philippine figures show that imports into Hongkong for the fiscal year 1911 amounted to only $874,700, as compared with $1,458,420 in 1910, $2,271,016 in 1909, $2,438,438 in 1908, and $2,551,902 in 1907. The change is the direct result of the Payne Tariff Act and the increase in Philippine exports of sugar, tobacco, copra, and other products to the United States as compared with its exports to other countries. In spite of this decrease the actual commercial relations of the two colonies are much closer than they have ever been.

One of the chief features of the commercial relations of Hongkong and the Philippines is shipbuilding and repairing. Most of the larger steamship interest of the islands have their repairing done in Hongkong shipyards where also launches, lorchas, lighters, and smaller craft generally and large vessels for the transport and inter-island trade are constantly being constructed.

THE TRANSIT TRADE.

While the great mass of Hongkong trade is in goods in transit to or from China, it also includes a large volume of goods to and from other sections of the Far East and Europe and the United States. As a result of the increased number of smaller ships and the tendency to send goods direct to the port of consumption and for other reasons the transshipment trade in Hongkong during 1911 was considerably less than in previous years. The transit trade in gunny sacks for the United States from India decreased materially, but there was a notable development of the trade in bone meal, due largely to lower freight rates. The trade in canes and bamboo materials from Indo-China to both the United States and Europe is growing, but transshipment of rattan has decreased. It is notable that not only has there been less movement of transshipped goods via Hongkong both ways between the Philippines and the United States or Europe, but there has been a material increase in goods from the eastern coast of the United States via Manila to Japanese and other northern ports.

While pessimistic opinions are heard occasionally as to the future of Hongkong as a shipping and transshipment port, the fact that the average size and speed of ships trading to the Far East are increasing, with the result that voyages must become more and more a matter of direct short runs from a principal port in the United States or Europe to a principal port in Asia, it is difficult to see how transshipment in Asia and distribution by smaller vessels can be avoided. This is the basis for the great transshipment trade of Hongkong and there is no reason to expect any great change.

IMMIGRATION AND PASSENGER TRAFFIC—INDUSTRIES.

Steamers did an unusually good business in passenger traffic during 1911. The number of first-class passengers was larger and the number of emigrants leaving the colony was 135,565, as compared with 111,058 the year before and 77,430 in 1909. The number of immigrants returning was 149,894, substantially the same as in 1910. The passenger traffic between Hongkong and near-by points in China, particularly Canton, was the heaviest in the history of the coast, and aided in the restoration of normal conditions in coast shipping.

While there was an unfavorable season for the great sugar refineries, on the whole the year was a fair one for Hongkong's larger industries. The dockyards and shipbuilding establishments turned out more vessels, with notably greater tonnage, and dock work was increased. There was also general prosperity of a modest sort among various smaller industries both in Hongkong and its tributary territory—a prosperity to which American travelers contributed in no small degree.

REASONS FOR IMPROVEMENT IN SHIPPING.

The year in shipping has been marked by great improvements in nearly all services connecting China and Japan with the rest of the world, particularly in the character of the ships. There are two reasons for this. The first is a growing appreciation of the world-wide effect on shipping of the Panama Canal and the second is improved business. It is now generally understood that most of the important lines from Europe to the Chinese coast by way of Suez will, on the opening of the canal, either establish services of their own by continuing the voyages of their ships from Hongkong or other eastern port to the Pacific coast and thence to Europe by way of Panama or will establish such working connections with existing Pacific lines as will insure them a part of the business to pass by the new route. Lines from New York to the Pacific coast of the United States by way of the canal will establish similar lines from the Pacific coast to China or connections which will amount to the same thing. It seems likely, therefore, that the importance of Hongkong as the shipping terminus of most lines to the Far East will be enhanced by these changes.

In general the shipping situation is distinctly better than in recent years. Coast lines, particularly those not subsidized, are still having a hard time maintaining themselves, but they were able to do so in 1911 and pay some slight returns on investments. Freights to Europe and to the east coast of the United States by way of Suez were raised about 10 per cent. at the close of the year for effect in the current season. Freights across the Pacific, largely because of the subsidies, are still very low—probably the lowest in the world for similar distances.

RESTRICTIONS ON TRADE—BANKING AND FINANCE.

While there was a notable increase in imports in 1911 the commercial situation is by no means satisfactory. It is not free from danger, as a large part of the imports are lying in Hongkong and Shanghai warehouses and there has been no increase in consumption. The high course of exchange at the close of 1911, and especially in the first two months of 1912, makes the danger greater. The high value of the silver dollar gives Chinese importers a great advantage, since a silver dollar will buy more than an ordinary amount of foreign goods. The temptation is strong, therefore, to buy large stocks even without prospects of ready sale, and this is largely responsible for the increased imports of the past few months. If the condition of affairs in China becomes normal early enough in the present year to enable merchants to distribute their large stocks there will be no unfavorable result of the present state of affairs. But the possibilities of the situation were well illustrated in the high-exchange years of 1905-1907 when there were large imports of American and other cotton goods and when years of disastrous depression in the cotton piece-goods trade followed.

One of the first commercial results of disturbed conditions in China was a restriction of credits to merchants from middlemen and a consequent restriction of business. This is probably the chief obstacle to the normal distribution of goods at the present time. It has also increased the demand for specie and bullion and the demand for silver accentuates all the evils of a fluctuating standard of currency. In South China there has been no cessation of the coinage of silver 20-cent pieces, which are at a discount when compared with the corresponding standard dollar, the result being that retail prices generally are fixed in terms of 20-cent pieces, thus raising the price of goods to the consumer about 7 per cent.

NEED OF BANKING FACILITIES.

The present situation has emphasized the need of adequate banking facilities in China for the accommodation of Chinese business men. This need has been felt to a greater or less extend ever since foreign trade was inaugurated, but in ordinary times the situation can be relieved to a certain extent by an extension of the operations of the foreign banks in the open ports (whose ordinary fuuctions are those relating primarily to foreign-exchange operations) to include more or less support for the uncertain native banks and in some cases to carry importers in transactions which really appertain to the business of Chinese middlemen and should be handled by local banks for such middlemen. In times of stress these unusual functions of the exchange banks become impracticable if not entirely impossible. For example, the goods collected in warehouses since the troubles began can not be moved until more general credit is obtained. Under present conditions foreign firms and banking houses are in no position to extend credit beyond the open ports, and even there only with great restriction. Native banks could afford to go further in extending credits if the banks themselves could be trusted. Under revolutionary conditions this is impossible and the need of an adequate system of Chinese banks under proper supervision, with ample capital and honest methods, was never felt so acutely as now. It is encouraging that Chinese business men are the first to appreciate this fact, and both in Central and South China their first plans for business readjustment have contemplated native banks organized on a modern basis and with more or less foreign supervision. For example, it is proposed at Canton to raise funds for the organization of a bank by pledging the water front to foreign capitalists, the capital to be advanced as needed and the bank to be under foreign supervision and management. Funds for a bank with an initial capital of $1,000,000 silver (about $425,000 gold) are also being raised in Shanghai, and similar enterprises are on foot in nearly all of the ports south of Shanghai. Any such institutions will be of comparatively slight benefit until all are brought within some comprehensive scheme of governmental supervision and control, but in the meantime their establishment indicates the trend of business development.

The uncertain course of exchange during the opening months of the new year has already given an unfavorable start to the season, for while the high price of silver stimulates imports for a time, it so contracts exports that imports in turn are soon affected. Taxation in many lines has been suspended in the country for about half a year. In time this need of increased sources of revenue will stimulate trade, for it unquestionably means an opening up of the mineral and other resources of the country with immense benefit to both foreign and domestic trade. Probably the 1912 season will be very unfavorable in most commercial lines in this part of the world, but it will probably be followed by years of development.

PROSPECTS FOR EXTENSIVE FUTURE MARKETS IN CHINA.

There is certain to be an immediate construction of railways, with all the attendant development, and of modern schools, modern buildings, bridges, roads, waterworks, gas and electric light and power plants, and all kinds of public utilities and improvements. There is already an important change in the dress of the Chinese people in the open ports, and more or less in the interior of the country, which is increasing the demand for foreign fabrics, particularly cotton goods and foreign shoes, hats, and dress novelties.

Factories for the manufacture of Chinese goods in a more modern way and for the manufacture of foreign goods now needed by the Chinese are springing up in all the open ports, and will arise all over China as soon as conditions become more stable. For all these there is an increasing demand for foreign machinery and appliances, especially for small plants and experimental machines. In short, China is entering upon its new era, and all that has ever been said and written about trade possibilities should now be resaid and rewritten as pertinent to the present moment. If ever American exporters and manufacturers were justified in establishing the expensive agencies which are the primary requirement of trade in the Far East it is at the present time.

Hongkong ordinarily furnishes about 36 per cent of all the imports of China, and the Hongkong imports also include great quantities of goods for distribution in all parts of the Far East, the South Seas, etc. Hongkong is the distributing point for South China and southeast Asia generally, and its trade may be taken as a measure of the trade of all this territory.

FLUCTUATIONS IN TRADE IN COTTON YARN.

The largest single element in the import trade of South China through Hongkong is cotton goods and cotton yarn. Taken as a whole, the year's business in both lines was far from satisfactory.

The yarn trade opened up briskly at the beginning of the year in sympathy with rising prices for cotton staple and a general bull movement in the trade. Prices for raw cotton came to such a point, however, that Europe drew heavily on India for staple, and China refused to pay the high prices demanded for Indian yarn. In September, when prices ran lower, it was expected that a considerable business could be done, and heavy orders were placed. With the outbreak of the revolution, however, came a closing of the interior markets, and the result was an immediate piling up of stocks in Hongkong. Stocks during the year averaged about 50,000 bales monthly, but the stock ordered in September for Chinese trade ran to about 250,000 bales. With the outbreak of the revolution monthly clearances fell to as low as 6,000 bales, and with the notable fall in the prices of Japanese yarn soon after there was all but a collapse of the trade.

Prices during the first half of the year ran about $140 Hongkong currency ($60 gold at average exchange) per bale for 10's, $145 ($62.30 gold) for 12's, and $160 ($68.60 gold) for 20's. By the close of the year they had fallen, on an average, about 15 per cent. for the 20's and about 10 per cent. for the 10's and 12's. The tendency at the opening of the current season was downward.

ACCUMULATION OF COTTON PIECE GOODS.

The record of the year in cotton piece goods in Hongkong, on the whole, was little if any better than that of the unfavorable previous year. During the earlier months the high price of cotton in the United States and elsewhere made it impossible for the average consumer in China to purchase foreign goods and the result was a greatly restricted business. As the price of cotton fell, purchases of foreign goods increased, but the disorders in the interior during the summer and the revolution in the autumn interfered with shipments of goods and also restricted credits greatly. Shipments both from Europe and the United States continued in spite of the situation here, the comparatively small volume of imports from the United States during the year amounting to about twice the value of those imported in the previous year; but with no sales here the goods received were simply warehoused, so that the opening of the current season found large stocks on hand and considerable uncertainty as to the immediate future. The situation about the close of 1911 became so serious that orders were countermanded freely, and only the willingness of the mills to adapt themselves to the situation prevented disastrous consequences. There were numerous refusals to accept orders on the part of Chinese middlemen, but there was much less trouble of this sort than might have been expected.

There seems to be no question but that the cotton-goods trade in the Hongkong territory and probably in all China is at a turning point. While it is easy to overestimate the effects of the revolution in such matters, the actual existing tendencies in social and commercial lines—as, for example, the disposition of a large portion of the Chinese

people in treaty ports and even in interior cities to take up with foreign-style clothing and foreign articles generally—are certain to have an important effect on trade. In Hongkong and near-by ports there has been a change in the demand for cotton goods which is already apparent. The demand for woolen cloths and cotton goods in imitation of wool or of a style to suit Chinese ideas of foreign clothing has increased immensely, while there has been a marked decrease in the comparative demand for goods suitable for Chinese clothing of the old style. This change may or may not become universal in China, but it is already of material proportions and the new demand promises to be indefinitely extended.

At present the cotton-goods situation all over China is uncertain and unsatisfactory. While the stocks accumulated would not be particularly excessive if consumption were normal, the uncertainty of demand and the possibility that many markets in the interior may be shut for months give little promise of trade betterment for some time to come.

FLOUR TRADE.

A failure of the rice crop in various sections of the Far East, accompanied by comparatively low prices for flour in the world's markets, caused an immense movement of flour to Hongkong, in which the United States, as usual, had the principal part. The total imports for the year were 5,512,502 49-pound bags, of which 5,353,554 bags were imported from the Pacific coast of the United States. The record for the year has been exceeded only in 1900 and 1901. The boom in 1911 extended over into 1912 and 1,000,000 bags of flour arrived in three ships alone during January, one ship, the *Minnesota*, having 500,000 bags aboard.

One of the reasons for this heavy import is the condition of the Yangtze Valley mills because of revolutionary troubles, foreign competition, etc. How long their suspension will continue it is, of course, impossible to tell, but in time it is probable that their business can again be established and American flour will again feel their competition. At present, however, American mills have only to concern themselves with the possible competition of Australian mills, which are gaining considerable trade not only in China but in the East Indies and other territories where American flour has been used, and with their own high prices. High prices of flour in the United States result in an immediate reduction of the trade in China, as the Chinese can not afford to buy foreign flour at prices much higher than those obtaining during 1911. With conditions remaining as they now are a large trade may reasonably be expected.

OIL IMPORTS.

The imports of mineral oils into Hongkong during 1911, according to the best information at hand, amounted to a total of 47,620,000 gallons, an amount exceeding all previous records in the trade by about 50 per cent. These immense imports, however, are not a measure of consumption, as more than half of them are now in warehouse in Hongkong, whereas at the beginning of 1911 there were very small stocks of oil in the colony. There has been a great increase in consumption in line with the campaign started over a year ago by the companies concerned in the trade by a general lowering of prices. Of the imports during 1911, 25,000,000 gallons were imported by the Standard Oil Co., about 620,000 gallons by other American companies, and 22,000,000 gallons from all other sources, practically altogether from the East Indian fields.

At this writing (Mar. 21) there are on hand in Hongkong about 16,500,000 gallons of case oil and about 8,000,000 gallons of bulk oil. Most of this is for sale and transshipment to other ports, the actual consumption in Hongkong of all oils averaging about 1,800,000 gallons per year. The actual deliveries for consumption from Hongkong warehouses and tanks during the past year have been approximately 20,000,000 gallons as compared with 13,530,000 gallons in 1910, 11,700,000 in 1909, and 11,440,000 in 1908.

During 1911 prices averaged $3.50, $2.75, $2.25, and $1.95 Hongkong currency with variations of 20 points either way for the several grades of American oil and $2.50, $2.35, and $2.20 for the three most popular grades of East Indian oils with variations of 30 points either way.

Imports of oil into Hongkong depend upon freights, the price of oil in the United States, production of oil in the United States and the East Indies, and many other elements besides actual consumption here. With the vast stocks now on hand in Hongkong it is doubtful if there will be any material imports during the first half of 1912 and the imports during the whole of the season may be small.

MACHINERY, BUILDING MATERIALS, ETC.

Imports of machinery decreased in 1911, though business during the earlier months was promising. New enterprises have been held back pending the settlement of questions of government and this has interfered with the sale of machinery. There has been a steady increase in the sale of marine motors, small dynamos and general electrical goods, fans and ventilating apparatus, elevators, typewriters, knitting machines, etc., and in the imports of automobiles and parts, but the limit of the latter trade has probably been reached for the time being. The disorders in the interior have seriously interfered with the trade in sewing machines in which the United States particularly is interested, but with the return of normal conditions sales will expand greatly. A few Chinese contractors in Hongkong are commencing to use modern machinery like concrete mixers, hoisting engines and the like, but the trade is limited at best.

Demand for foreign hardware is steadily increasing, particularly for cutlery and building hardware, glass of the more ordinary grades, and various building materials such as I-beams, nails, rods, and reenforcements for concrete construction. Nearly all lines of iron and steel show increasing trade. In most of the lines mentioned, however, the general increasing course of trade was interrupted at the close of the year and the halt has continued into the present season though it is expected that normal conditions will soon be restored.

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LITTLE or no news from China must be held to be good news, because it is the function of the newsgatherer to report the abnormal rather than the normal. The processes of constructive statesmanship may easily pass unrecorded; destructive excesses or partisan broils, never. Of these latter China has been having her full share, while the former may be assumed to be shaping themselves under the obvious drawbacks of a system of popular representation of the crudest character, and of representatives totally unversed in the methods of popular government. When a century and a quarter of experience in the business of national legislation does not save the United States from having a Congress so perversely bent on "playing politics" as that whose second session has just closed, we can the more easily abstain from criticism of the apparent inaptitude of the National Council and Assembly which are trying to introduce party politics into the government of China very much in advance of the regular stage of their historic evolution. A knowledge of the jarring interests that had to be reconciled and the contending ambitions that had to be disarmed before it was possible to have a Constitution adopted for the great American Republic, may also predispose us to make allowance for the difficulties which beset the work of the republican organization in China. The founders of our system were the heirs of five hundred years of a steadily expanding system of English freedom, and they had ample opportunities on this soil to exercise all the functions of representative government before declaring their independence of the mother country. Yet, noble a piece of work as was the constitution they framed, it never would have been adopted but for concessions to local prejudice and compromises with forces which had in them the elements of disruption. If the travail attendant on the birth of the Great Republic of China should prove to be more severe in the Council Chamber and the deliberative assembly than on the battlefield, the fact should not be reckoned as a crushing indictment either of the patriotism or the good sense of the men with whom rests the fulfillment of what must be recognized as a task of extraordinary complexity and difficulty.

THAT the deliberate judgment of so cool-headed and confident an observer as Mr. J. O. P. Bland is against the possibility of Young China's success in the task which it has undertaken, is manifest from the

article reproduced in this number of the JOURNAL from the *"Edinburgh Review."* The closing sentence of this article has a decidedly mournful cadence for the believers in the ultimate success of the Republican experiment in China: "For myself, remembering the ancestry and genesis of Young China, being personally acquainted with many of its leading spirits, having followed its opinions and activities in every province from the beginning of the present revolution, I am compelled to the conviction that salvation from this quarter is impossible: not only because Young China itself is unregenerate and undisciplined but because its ideals and projects of government involve the creation of a new social and political structure, utterly unsuited to the character and traditions of the race; because it is contrary to all experience that a people cut off from its deep-rooted beliefs and habits of life should develop and retain a vigorous national consciousness." But, after all, as Mr. Bland says, the question is one which each must answer for himself by the light of his knowledge or his faith, and even those who have less than his knowledge may be permitted to have more than his faith. Is it not demanding too much to argue that the acceptance of a hopeful view of the present situation requires the assumption for the Chinese people as a whole of "definite aspirations and fixed goals, and all-pervading instinct of patriotism, subordination of individual to national interests, and authoritative leaders?" Is there not too slender an allowance made for the wide diversity of possible processes of national regeneration, by insisting that the absence of an "Idea universal in appeal" precludes the possibility of any actual regeneration being in progress?

IT may be admitted that "the politicians and military conspirators who have succeeded in overthrowing the rule of the Manchus" are not cast in what we should call a heroic mould. With the striking exception of that amiable and unselfish enthusiast, Dr. Sun Yat-Sen, they seem to be more or less infected with the taint of time-serving and self-seeking. But in Yuan Shih-kai, all unlike our Washington as he may be, China has a man in whom opportunism bears the stamp of greatness. Summarizing, six months ago, the then latest phase of his career, the editor of the *"Far Eastern Review"* wrote as follows: "Yuan, who for many months, resisted the importunities of the revolutionists to emerge from his retirement to lead them, deliberately appeared after mature and lengthy consideration in the vanguard of the side which he thought would win but which lost, and three months after his arrival in Peking, as an implacable monarchist, changed his mind and appeared at the head and front of the party which won—an avowed republican. There are those who will assert and assemble evidence to prove that Yuan Shih-kai aimed from the first at what was accomplished. It is preferable to think him an unconscionable opportunist than a cold-blooded traitor. It is, however, only a man of courage and many parts who could accomplish such a surprising volte face and continue to retain the support of his friends and win and hold the admiration of the world. To Yuan is due credit for possessing the wisdom as well as the courage to see his line of conduct at the psychological moment, and more credit is due to him for the manner with which he bargained to save the person, the "face" and the prosperity of the court he was about to abandon." The events that have happened since last March have certainly not diminished the claim of Yuan Shih-kai to be a great, if not over-scrupulous statesman—to be probably as near an approach to a single-minded patriot as could be produced from among all the public men of China who have any competency to deal with the problems of the present crisis.

MEANWHILE, in Japan the transition from the reign of the Emperor Mutsuhito to that of the Emperor Yoshihito has been smoothly and tranquilly made. The new Emperor has the unique distinction of being the one hundred and twenty-third monarch in a line of rulers extending back into the twilight of history. There can be no question that the path of enlightenment and progress marked out by the first ruler of the new Japan will be followed quite as resolutely, by his successor. In fact, the new Emperor while possessing all the sterling qualities of his father is said to be a more distinctly modern type of man, and changes in the methods and personnel of the government are expected to bear the stamp of contemporary progress. One of the greatest changes of all history is unquestionably summed up in the statement that when the last Emperor came to the throne he was acclaimed by 39 millions of tyrant-ridden people just emerging from the régime of feudalism, while the new Emperor is welcomed by a population of more than 60 millions of free subjects, and by a great brotherhood of nations.

IN a communication on high exchange in China written by the American Consul-General at Hongkong and published in this number of the JOURNAL, the statement is made that present trade prospects in China indicate increased imports and decreased exports. But in studying the figures which go to bear out this assertion, due account should be taken of Mr. Anderson's further statement that in one important department of foreign imports the figures are apt to give a false idea of actual trade conditions. Thus, at the opening of the year Shanghai had in warehouse about 35 million taels or $22,750,000 gold worth of foreign goods and Hongkong had probably more. Even with this qualification it is satisfactory to note that our exports to China for the last fiscal year amounted to $25,286,640 against $20,223,077 for 1911, while to Hongkong the figures were $10,333,469 as compared with $7,756,138 for the preceding year. In face of this considerable increase in exports we have imported from China in the fiscal year ending with last June some 4 million less than in the year preceding. Our trade with Japan continues to show the same remarkable elasticity in the volume of our exports which amounted in the last fiscal year to $53,078,046 against $36,721,409 in the year preceding. Our imports from Japan are still considerably greater than our exports to that country, being $80,607,469 for the fiscal year recently closed, against $78,527,496 in the preceding year. But it will be observed that the interval between the value of our exports and imports is steadily decreasing. The total exports to British India show a gratifying increase from $11,937,796 to $18,797,592, and for the whole of Asia the exports for the fiscal year have attained the very respectable total of $117,461,561, or nearly double their amount in 1910.

Exports of Domestic Cotton Cloths, Mineral Oils, and Wheat Flour from the United States to China and Hongkong, during the twelve months, ending June 30, 1911 and 1912.

EXPORTS TO CHINA.

Months.	Cotton Cloths.		Mineral Oils (illuminating).		Wheat Flour.	
	Yards.		Gallons.		Barrels.	
1910.						
July	10,897,533	$727,329	5,392,690	$323,424	638	$2,576
August	9,582,788	563,587	14,052,380	888,045	2,643	11,823
September	4,226,055	263,334	7,130,000	314,745	1,333	5,144
October	951,800	56,682	8,044,160	493,021	452	1,894
November	1,018,400	90,740	5,048,550	298,529	3,691	14,533
December	3,294,806	227,245	7,996,752	583,235	5,308	20,650
1911						
January	5,667,644	390,359	3,915,380	180,847	58,188	210,766
February	3,854,800	222,309	4,423,624	210,643	124,428	456,055
March	7,857,697	486,439	13,340,540	797,484	34,372	131,013
April	6,549,116	444,472	13,889,920	872,772	49,158	185,742
May	12,837,965	860,882	13,275,702	902,967	11,880	46,483
June	14,000,083	960,016	10,657,551	778,034	645	2,579
Total	80,739,542	$5,293,394	107,167,449	$6,644,346	292,738	$1,089,258
July	11,063,600	$788,798	15,882,570	$1,148,524	1,631	$6,490
August	8,680,440	625,749	7,827,602	537,398	21,926	79,752
September	7,671,189	581,168	7,857,040	572,253	61,783	237,040
October	6,901,562	484,934	5,660,580	406,178	55,750	216,175
November	12,544,616	877,394	.....	.....	67,470	266,515
December	12,534,270	844,814	4,040,070	282,039	55,850	217,338
1912.						
January	4,495,875	307,086	5,131,900	373,671	69,413	267,876
February	12,794,458	851,566	.....	.....	179,820	697,139
March	8,654,853	525,061	1,928,030	146,341	152,666	614,302
April	11,730,726	752,094	1,000,000	74,000	35,925	138,777
May	5,168,266	332,613	10,782,250	737,643	29,850	117,542
June	6,175,605	400,681	8,054,955	546,361	9,108	36,340
Total	108,415,469	$7,371,958	68,164,997	$4,824,408	741,192	$2,895,286

EXPORTS TO HONGKONG.

1910						
July	51,982	$8,126	1,757	$189	58,169	$242,814
August	19,350	2,558	1,748,039	130,973	54,231	217,046
September	6,550	707	.....	.....	20,289	84,794
October	18,047	4,639	.....	.....	92,673	371,287
November	5,391	819	1,585,000	114,460	61,840	236,943
December	18,821	2,616	191,230	13,099	203,005	798,776
1911						
January	42,917	7,104	1,742,440	142,425	108,727	452,872
February	32,540	2,563	1,714,910	124,331	117,230	453,343
March	29,750	2,033	617,856	60,049	62,649	242,714
April	28,361	5,043	3,095,570	222 167	41,907	164,382
May	56,396	10,924	1,303,000	96,568	91,348	365,586
June	84,834	14,208	75,000	5,625	48,398	183,382
Total	394,939	$61,340	12,074,776	$910,693	1,003,529	$3,946,029
July	73,151	$10,412	.....	.....	72,283	$281,302
August	55,621	10,166	1,539,170	$115,438	73,571	287,511
September	49,832	7,889	2,040,000	151,980	85,937	333,803
October	44,343	7,410	830,000	81,956	251,607	993,047
November	35,212	3,509	2,455,000	184,827	143,919	550,437
December	187,236	20,889	2,677,000	195,421	234,502	915,396
1912						
January	57,814	7,253	.....	.....	94,456	380,186
February	110,352	15,039	1,263,540	92,833	106,985	410,863
March	5,131	1,127	1,636,000	67,076	148,716	561,253
April	185,580	27,022	.....	.....	85,420	343,600
May	85,993	12,953	500,000	44,175	80,569	326,750
June	156,283	23,451	1,854,000	160,065	113,108	451,152
Total	1,046,548	$147,620	14,794,710	$1,093,771	1,491,073	$5,840,299

DEPARTMENT OF COMMERCE AND LABOR,
Bureau of Statistics.

WASHINGTON, D. C., August 2, 1912

Imports of Tea and Silk into the United States for the twelve months, ending June 30, 1910, 1911 and 1912.

TEA.

Imported from	1910. Pounds.	1910. Dollars.	1911. Pounds.	1911. Dollars.	1912. Pounds.	1912. Dollars.
United Kingdom	8,235,698	2,054,454	10,661,552	2,831,824	12,887,949	3,538,200
Canada	2,237,649	517,062	3,003,742	754,873	2,558,583	734,769
China	28,043,171	3,275,343	25,148,048	2,951,628	17,605,670	2,260,949
East Indies	8,154,649	1,316,283	9,660,633	1,605,774	13,760,787	2,306,726
Japan	38,187,229	6,334,588	52,998,199	9,272,828	53,747,386	9,213,402
Other countries	767,974	174,216	1,181,768	196,642	846,441	153,095
Total	85,626,370	13,671,946	102,653,942	17,613,569	101,406,816	18,207,141

SILK.

RAW, OR AS REELED FROM THE COCOON.

Imported from	Pounds.	Dollars.	Pounds.	Dollars.	Pounds.	Dollars.
France	589,136	1,612,148	283,743	991,470	91,387	334,660
Italy	3,523,924	13,268,689	2,635,915	10,057,393	2,058,456	7,467,623
China	4,084,415	9,675,898	5,370,015	13,666,732	4,776,506	11,399,407
Japan	11,957,504	40,103,780	13,886,301	47,248,347	14,493,131	47,316,331
Other countries	208,348	764,269	204,024	750,042	190,040	655,361
Waste.....lbs...free..	3,045,235	1,690,393	4,122,226	2,210,020	4,892,986	2,317,217
Total unmanufactured	23,408,562	67,115,177	26,502,506	74,924,004	26,584,962	69,541,672

THE CAUSES OF CHINESE UNREST.

From the Edinburgh Review.

If it were possible, by means of some international agency or Carnegie Court, to take out Life Insurance policies for nations, and if these national applicants were required to supply precise information regarding their ancestry, the evolution of their social state, their transmitted tendencies and acquired habits, China would doubtless be passed as a "good life" because of her long-tested vitality, but the premium on her policy would be a high one, by reason of her increasing tendency to dangerous forms of excess and to certain symptoms of organic disturbance. Under the actual conditions of the problem a social scientist, called in to advise on China's case, could only rely upon general surmisings, uninformed by accurate data concerning the nation's early history and processes of development; for the Chinese, like the Hindoos, have ever been peculiarly lacking in historic consciousness. The annals and records of successive dynasties provide little or no material for critical or scientific study of the evolution of the nation's laws, institutions and culture. The store-room of the Chinese race's past is a dark lumber place, full of archaic rubbish, ancient myths and ghostly whisperings; we search it in vain for the cradle, the childhood's toys, the school books and discarded garments of former days. And since it is only within the last century that this primordial elder brother of the human race has been brought to speaking terms with the outside world, our estimate of his earlier intellectual and political struggles is largely distorting influences, not the least of which has been conjectural. Moreover, it has been subjected to many the hypnotic effect of Chinese literature and philosophy upon the minds of those European scholars and observers who have studied and reflected that teaching.

The scientific interpretation of sociological phenomena, by the accumulation and critical comparison of groups of facts, and by the tracing back of proximate causes to those more remote, presupposes continuous and fairly trustworthy historical records. In their absence, something of the structural development of a nation may be traced in its monuments and archæological relics; M. Aurel Stein has shown what may be done in this direction by his researches and discoveries in the buried cities of desert Cathay. But the social and historical data required to enable us to reconstruct and understand the gradual evolution of China's social system, data of the kind collected by Herbert Spencer as the basis of his "Descriptive Sociology," are not at present available; nor, indeed, has any investigation of the country's existing phenomena been made upon systematic methods of observation and deduction. The practical value of such investigations has been conclusively demonstrated in recent years by the work of French social economists, and notably in the writings of Edmond Demolins and Léon Poinsard; but the field in China is so vast, the difficulties

of accurate observation so many and formidable, that the individual and independent efforts of a few enthusiasts have produced but little result. Mr. E. T. C. Werner's "Descriptive Sociology of the Chinese," published by the Herbert Spencer Trustees, purports, it is true, to describe "the morphology, the physiology and the development" of China's civilization. It is a monumental work, containing extracts from eight hundred Chinese authors and 238 European writers, but the evidence of this cloud of witnesses is vitiated as much by what Spencer would call the subjective states of the European observers, as by the Orientals' own lack of historic sense. Amidst much irrelevant matter, compiled by Chinese annalists, and many contestable inferences from the incomplete or biassed observations of Europeans, the student of social science can gather but little valid evidence to justify any definite conclusions. The chief conclusion to be drawn from China's historical records tends, indeed, to justify Froude's opinion, that history does not provide subject matter for science. In endeavoring to determine what are the laws of the natural forces at work in China's social system, and what their ascertained effects, we are therefore driven back upon first principles, and upon such general conclusions as may reasonably be based upon the exact knowledge acquired during the last half-century.

Examination of the books published about China and the Chinese since the outbreak of the Revolution last October, as well as the opinion of European journalists now resident in that country, reveals a very general growth and consensus of opinion on two subjects—firstly, that the time-honored conception of a wide gulf, moral and intellectual, between East and West is gradually fading into the limbo of exploded shibboleths; secondly, that the Chinese race has witnessed, or is about to witness, the beginning of a new era, the dawn of a new day. As regards the first of these subjects, it is interesting to look back to the early days of European observation of the Chinese, and to see how clearly defined was the idea that no accurate conception of the Chinese individual or national character could be formed by the Western mind. "Some day, perhaps," wrote Mr. Wingrove Cooke, "Times" Correspondent in 1858, "we may acquire the necessary knowledge to give to each of the glaring inconsistencies of a Chinaman's mind its proper weight and influence in the general mass." To the Jesuit missionaries of the seventeenth century the Chinese were an utterly incomprehensible race, to be reclaimed only by the grace of Providence and the Christian religion. But the observers of to-day are coming to the opinion that human nature is much the same all the world over, that the great brotherhood of man is something more than a name, and that differences of customs, traditions and social systems act only as barriers between nations because of the common human weakness of measuring other people's actions and conditions by the standard of our own habits and prejudices. Thus we find Professor Reinsch, one of the latest writers on the intellectual activities of the Far East, observing that "the conventional and vulgar antithesis of the Orient and the West, with its sharp delineation of contrasts, has beeen altogether misleading." The fact is that, in the state of general knowledge existing fifty years ago, it was difficult for the European in China to appreciate a mental state so different from his own, and to sympathize with the actions and conditions resultant from that state. Therefore, in our earlier geographies and text-books, China figured generally as a sort of fantastic topsy-turvy land, a land of pagodas and pigtails and porcelain, where people ate birds' nests and chow-dogs, where merchants and missionaries struggled eternally with elusive mandarins, against a background of willow-pattern serenity chequered by periodic cataclysms. The Chinaman, as an individual, was regarded as a bundle of hopeless contradictions, much in the same way as good Scotchmen hold the Irish to be troublesome and wayward children. The East and West of Mr. Rudyard Kipling were doomed to be eternally divided, to watch each other for ever and ever, mysterious and menacing shadows, from opposite sides of a great gulf. Remembering how strongly this opinion impressed itself for many years upon our policies and our literature, there is food for thought, and perhaps for cynicism, in the suddenness with which we have become conscious of the fact that nothing essential now divides East from West, and that, to quote one of Professor Reinsch's typical conclusions, "by profoundly influencing each other, they will both contribute their share in developing the all-human civilization of the future." The Confucian maxim that "Within the Four Seas all are brethren" has suddenly asserted itself simultaneously with the birth of new political aspirations in the Orient, and it is supported by many European writers in conclusions framed on lines of more or less systematic observation. Amongst the writers of the previous generation the Spencerian attitude was rare (Baber, Meadows and von Richthofen are notable exceptions), and their observations, as a rule, were based on the assumption of inherent and ineradicable differences of human nature between East and West. It may be that the appearance in China of dynamiters and suffragettes, and other evidences of mankind's common instincts and common destiny, have helped to modify the observer's standpoint; at all events, the present unanimity is remarkable. Nearly all the writers of to-day recognize the necessity for close and systematic study of the social and intellectual life of the East as the first essential towards a good understanding by and with the West. Mr. E. J. Harrison, in "Peace or War East of Baikal," confesses that "when one comes to understand the underlying motives of Oriental thought, one sees, often enough, that the logic of the situation is not entirely on the side of the Westerner." Professor E. A. Ross, after half a year of travel and inquiry in the Far East, scoffs at "the old China hand's" conception of the Chinese as inscrutable mysteries.

"The fact is," he says, "to the traveller who appreciates how different is the mental horizon that goes with another stage of culture or another type of social organization than his own, the Chinese do not seem very puzzling. Allowing for differences in outfit of knowledge and funda-

mental ideas, they act much as we should act under their circumstances. The theory, dear to literary interpreters of the Orient, that owing to diversity in mental constitution the yellow man and the white man can never comprehend or sympathize with one another, will appeal little to those who from their comparative study of societies have gleaned some notion of what naturally follows from isolation, the acute struggle for existence, ancestor worship, patriarchal authority, the subjection of women, the decline of militancy, and the ascendency of scholars."

Dr. Arthur Smith, in the Introduction to the latest edition of "Chinese Characteristics," sees "no apparent reason why what is actually known of the Chinese people should not be co-ordinated as well as any other combination of complex phenomena." In all these opinions we may perceive a definite movement towards systematic sociological observation and critical comparison. This laudable movement, however, is, as yet, greatly lacking in historic perspective and prevision; a fact indicated by the equally common consensus of opinion which confidently asserts the dawn of a new era with the Chinese Revolution. Philosophically considered, the introduction into China of Western education, the pressure on her economic resources exercised with ever-increasing intensity by Western nations and by Japan, and the elimination of the central authority of the Manchus, are new facts of the highest importance, which must continue, as permanent forces, to modify the national character and to affect its future movements; but it should be no less obvious that nations, like individuals, must reap what they have sown; that the sins of the fathers are indeed visited upon the children, and that, by no incantation of new formulæ, can their penalties be avoided. The assumption that runs through must of the books and articles written about China since the professed conversion of the Empress Dowager to the idea of Constitutional government in 1902, the theory upon which have been based the policies of our diplomats and financiers since the collapse of the Manchu dynasty, postulates belief in a sudden and radical transformation of all the social and political institutions of the Chinese people. In the twinkling of an eye, it seems, they have been changed. All the immemorial instincts and impulses, the well-worn ways of thought and action of this, the oldest civilization on earth, are to pass, we are told, with the passing of the Manchus, by the magic of the blessed word Republic, and the waving of a five colored rag.

It is no new delusion, this vision of a race shedding its inherited tendencies like a garment; nevertheless, history and science alike insist on the fact that the modification of human nature, by the introduction of new factors in its environment, is essentially a slow and laborious process. European history is strewn with the wrecks of enthusiastic schemes for the regeneration of humanity by shibboleths, for making nations moral or great by Act of Parliament.

The leaders of Young China prefer to put their trust in the dreams of Jean-Jacques Rousseau; nevertheless these pregnant words of a master-thinker might have been written expressly for their learning. For there is this difference to be noted between Rousseau's disciples of the National Convention and the Chinese Republicans, that the latter have, so far, been conspicuously deficient in what Lord Morley defines as the "earnest enthusiasm for all the purposes, interests and details of productive industry" of the French Encyclopædists. With Diderot and his followers, philosophy became patriotism of a practical kind, attaching importance to science and art, as distinct from book-learning, and sympathizing instinctively with the farmer, the merchant and the artisan; all forms, in fact, of fruitful labor. It was this practical reality in the French which, despite their political shibboleths, despite the chaos of the Revolution, made and kept the nation great. In so far as their revolutionary movement was characterized by the constructive purpose of maintaining conditions of fruitful labor, it became, indeed, the basis of a new structure of society and, philosophically recognizing the realities of life, an effective bond of brotherhood. We have recently seen, and shall yet see, in Persia and Turkey, in Portugal and Mexico, the rise of new despotisms, under Constitutional and Republican rearrangements of systems unmodified by structural change; and in their history, on a small scale, we may read the lesson that China's speculative theorists and political agitators have yet to learn.

Thus considered, the Chinese Revolution and the expulsion of the Manchus appear to be nothing more than aggravated symptoms of the general disorganization and chronic unrest prevailing throughout the nation's political life. As for the proximate causes of this disorganization and unrest, it is absurd to ascribe them to any deliberate and conscious effort by the nation as a whole to adapt itself to a changing environment, or to believe in any deep-rooted influence on the masses of the revolutionary doctrines of Treaty Port journalists and students from Japan. These new factors are producing a certain effect upon the life and thought of the people, no doubt; but their action must be followed by reaction in due course, and only after the lapse of several generations will it be possible to determine their final effects upon the social structure of China. The error into which have fallen many observers, misled by laudable enthusiasms, is fairly exemplified by the attitude of "Putnam Weale," who, in the "Daily Telegraph" of the 9th of April, expresses his belief in the possibility of such a miraculous transformation "only because China is the home of Aladdin's wonderful lamp." Writers who take this point of view have no difficulty in persuading themselves that autocracy, opium and anti-militarism have been entirely abolished, "the whole ancient system effectively wiped out," and that the Chinese race has divested itself of these things as easily as the student has cut off his queue, and has assimilated European methods and ideas as readily as its bowler hats and frock-coats.

To accept such an interpretation of the present situation in China it is necessary to assume, for the Chinese people as a whole, definite aspirations and fixed goals, an all-pervading instinct of patriotism, subordination of individual to national interests, and authoritative leaders.

Of these, there has been no evidence. If history teaches that the man comes with the hour, it teaches also that the hour comes, not by accident, but only after long years of preparation. In the China of to-day we seek in vain for signs of the Idea, universal in appeal, which makes for regeneration, the Idea that impels masses of mankind, at their appointed hour, to follow a Mahomet or a Peter the Hermit, a Garibaldi or a Bolivar. Of a Cromwell, nay, even of a Danton, there is as yet no sign; nor anything to convince us that, were he to appear, the masses of the people would have ears to hear him.

What then? Truth compels us, I fear, to the conclusion that the politicians and military conspirators who have succeeded in overthrowing the rule of the Manchus, are themselves all unconscious manifestations of the race's deep-rooted disease of disorganization; that it is not the political agitator who has created unrest, but rather the unrest (chiefly economic in its origin) that has produced the agitator. If we look back through the Chinese annals since the end of the Tang dynasty (or, roughly speaking, since the Norman conquest of England), we find history persistently repeating itself in violent rebellions; in the ejection, with great slaughter, of dynasties that had exhausted the mandate of Heaven; in regularly alternating periods of upheaval and recuperation, all traceable, in almost rhythmical series, to a social system which has inculcated principles of passive resistance together with a chronic tendency towards over-population. Intervals of relief from economic pressure have been bought at the price of cataclysms which have depopulated vast regions. Within the memory of living men the whoe process has been witnessed—provinces that were laid waste by the Mahomedan and Taiping rebellions have been repeopled in one generation by the surplus of their neighbors, and in the next, have once more been faced by the grim spectre of famine. Even when the needs of the Empire's population as a whole have not exceeded the food supply, there have always been congested districts and overgrown cities, a large percentage of whose inhabitants live literally from hand to mouth. It is from these, the predestined hungry ones, the hopelessly submerged tenth, that are drawn the salt smugglers, beggars, bandits, vagrants and looters who maintain incessant warfare against the rights of property—carrion crows that hover over all fields of fruitful industry—"*les misérables*," to whom a revolution means the looting of cities and unearned increment. These, in a land where the functions of Government are practically confined to tax-gathering, are the inevitable result of economic pressure on the one hand, and administrative disorganization on the other. They are the froth and foam of great waves of humanity eternally breaking on the grim rocks of starvation. And, incidentally be it noted, they are the material from which troops are hastily manufactured by both sides in every rebellion and civil war.

These, the outlaws and the desperate; are clearly the offspring of chronic disorganization; but its results are by no means confined to the lowest strata of society. The professional political agitator and the bomb-throwing student are, in their way, equally significant manifestations of the same disease. Socially, they are the direct descendants of those who, under the old classical regime, swarmed in and about every *yamen*, every school and public office in the land, the "expectants," the ever-scheming, ever-hungry horde of place-seekers, the submerged and struggling army of the unemployed *literati*. "Young China," the leaders of the anti-Manchu and Republican movements, are the sons and brothers of mandarins; and evidence is rapidly accumulating from Peking to Canton, that, making all possible allowance for the difference between "Western learning" and the Confucianist classics as surface polish, they remain mandarins by instinct. How, indeed, should they have learned to be anything else?

In saying this I have no wish to pass capital sentence on the mandarin. He, too, is the result of long centuries of petrified tradition, of a creed now outworn. He represents the uses and abuses of a literary bureaucracy which, in its day, served China well, and which, amidst gross corruption and inefficiency, has retained many admirable qualities. But just as the type of the average mandarin has degenerated, becoming corrupt, cowardly and addicted to fleshpots, so, in their descendants who constitute Young China, we find personal ambition, indiscipline and greed, striking a more insistent note than any altruistic appeal of patriotic and fruitful labour.

Not that Young China lacks ardent and unselfish spirits—a movement that produces martyrs of the stamp of Tan Szetong, or honestly consistent reformers like Liang Ch'i-ch'ao, can never be quite without hope for the future. But, for the present, for one conscientious reformer like Liang Ch'i-ch'ao, there are a hundred visionaries of the stamp of K'ang Yu-wei; for one Tan Sze-tong there are a dozen garrulous, prosperous Wu Ting-fangs. The traditions of the *literati* have never failed to produce an *élite* of great men, earnest, fearless and honest administrators like Liu K'un-yi and Chang Chih-tung, or stern moralists like Wu K'o-tu; but their example has never been able to leaven the lump of mandarin corruption. Even so it is with the latest heirs and assigns of their estate—Young China—bursting with the pride of its Western learning, and freed from the ethical restraints of Confucianism; full of the new wine of Democracy and without the steadying influences of a philosophy which has preserved the race through countless dangers and tribulations.

To turn to the causes of China's political and social unrest. *Imprimis*, and looking to the present situation, there can be no doubt that the effect of Russia's defeat by Japan, the collapse of the Manchus and the passing of the old-style literary caste, have contributed to the actual ascendency of a new political régime, imbued with all the prestige of that Western knowledge to which Young China attributes the greatness of Japan. (Her centuries of discipline, of loyalty, civic virtues and social cohesion, count for less, in the eyes of China's new leaders, than machinery and rifles and a draft Constitution.) Since the Boxer rising of 1900 it has been clear that an upheaval was impending, for the strong hand of the once virile Manchus had lost its cunning, and without a strong hand no Oriental sovereign can continue to rule. Posts, tele-

graphs and railways, creating intercommunication between the provinces, had effectively undermined the Manchu position; and they themselves, as the event proved, were quite ready to depart in peace. Since the reign of Hsien Fêng, they had failed to exercise any real authority, and the Empire had passed accordingly through many crises of disorder. In the minds of the masses they had become identified with disaster, with memories of looted cities, desecrations of ancestral tombs, and the ruin of industry and trade. They had exhausted the mandate of Heaven, and their hour was therefore at hand. It has never been the custom of this philosophical race to inquire too closely into the antecedents or proceedings of their rulers. They welcomed the Republican programme of Young China, therefore, with the same cheerful acquiescence, and the same mental reservations, as they welcomed the alien Manchus after the defeat and expulsion of the degenerate native dynasty of the Mings. What the Chinese people, as distinct from the politicians of the Treaty Ports, asks of its rulers (be they who they may) is peace and reasonable security for life and property. The appointed duty of every man is to labour unceasingly, and to leave behind him as many ancestor-worshippers as possible; the duty of rulers is to provide him with peaceful opportunities for so doing. Nevertheless, the very ease and bloodlessness with which the change has been effected are proving, at the outset, additional factors of unrest. The example of such easy attainment of power and place is not likely to be lost on the secret societies, on the semi-independent military forces in the provinces, on the Cantonese pirates, and other organized bodies of predatory outlaws.

Even if we assume, with the optimists and financiers, that a *modus vivendi* can be found between North and South, between Constitutional Monarchists and Republicans, between civilians and soldiers, between the haves and the have-nots, there must yet remain those persistent causes of disorganisation which lie in the mental state and social structure of the masses—causes removable only by slow educative process. Of these, the chief is the procreative recklessness of the race, that blind frenzy of man-making, born of ancestor-worship and Confucianism, which, despite plague, pestilence and famine, battle, murder and sudden death, persistently swells the numbers of the population up to, and beyond, the visible means of subsistence. By means of polygamy, early marriages and the interdependence of clans, the Chinese people struggle to fulfil at all costs the inexorable demands of their patriarchal system; bringing their predestined victims of hunger and disease into a world that has no room for them; breeding up to a food-limit which, amidst toil and penury incredible, has long since reached the breaking point. A nation which implicitly believes, and unanimously acts on the belief, that a man's first duty in life is to provide as many male heirs as possible for the comfort of himself and of his ancestors, inevitably condemns vast masses of its people to the lowest depths of poverty, and condemns the body politic to regularly recurring cataclysms. The chronic condition of China, except in those districts where plague or famine or civil war has temporarily relieved the pressure, is a struggle for life unequalled in any other part of the world—a struggle so desperate that the fittest who survive must of necessity be endowed with peculiar qualities of physical resistance and vitality. And it is a struggle from which there is, generally speaking, no escape; for, to add to the burden of philoprogenitiveness, the traditions of the race have decreed, with the force of religion, that it is the duty of every man to sacrifice at stated intervals at his ancestral tombs and to be buried, in due season, with his fathers. Thus the great bulk of the population have for centuries been rigidly localised, and a people from whom Confucianism has gradually eliminated all instincts of collective initiative, into whom Buddhism has instilled a spirit of passivity and renunciation, has been deprived of the outlets which general emigration and territorial expansion northwards might otherwise have provided. Within their own borders, therefore, they have perished, sacrificed by millions to a social system utterly improvident and callous of human suffering.

It is clear, I think, that herein lies the great and remote cause of China's intolerable afflictions—a cause not to be removed by any political shibboleths or panaceas of philanthropy. Even supposing that, by good government, the conditions of life were to be alleviated for the masses, that by economic reforms and applied science the resources of the country might be materially increased, it is clear that, for a people which rears four generations while Europe is rearing three, with whom the absence of posterity is a crime, and concubinage the reward of success, any relief would be temporary—the fundamental problem deferred, not solved. The immediate result would be a decrease in infant mortality, which at present reaches terrible, almost incredible, proportions. (In Hongkong, under British administration, the death-rate of Chinese children, under one year of age, was eighty-seven per cent. of all births reported in 1909.) A certain percentage of the vagrants and outlaws who infest the outskirts of every city might be reclaimed for the space of one generation; but the insoluble problem of filling three stomachs with one bowl of rice would speedily have to be faced anew. At this moment a famine is carrying off many thousands from the congested districts of Anhui; Shensi, though ravaged by the Mahomedan rebellion a generation earlier, lost a third of its inhabitants by famine in 1900. The wastage and slaughter of the Taiping rebellion have been computed at close on a hundred million souls; the Yellow River floods have periodically carried off their millions of victims. Yet the population to-day stands at about 330 millions, and its pressure is steadily increasing.

During the long centuries of China's seclusion and contempt for the outer barbarian, ever since the time when the Great Wall was built to guard her in self-sufficient isolation, this grim struggle has been going on—man blindly striving to perpetuate the patriarchal pastoral system under conditions economically impossible. During all these centuries the cause of China's never-ending unrest, of civil wars and ever-recurring anarchy, has been, *au fond*, a strife for food. Here and there the ambitions of rulers and pretenders have set the masses in motion for political ends, but never, as in Europe, have her wars been the result of religious differences, or of the insistent appeal

of a moral crusade. The eternal struggle, the same a thousand years ago as it is to-day, grim and silent as the struggle for life in primeval forests, has been for a place in the sun, and for daily bread. No time in all these myriad humble existences for sports or social amenities or amusements; China knows no public recreation grounds, no public interest in art or music, in architecture or poetry. The soul of this people has too long been condemned to elementary materialism, in its business of man-making and man-feeding. Yet this aspect of the situation, this fundamental cause of unrest, is persistently ignored by Monarchists and Republicans alike—no mention of it in all their programmes of reform. To read the discourses of the National Assembly one might think that, by the framing of a Constitution based on the French model, Young China hopes to repeat, *ad infinitum*, the miracle of the loaves and fishes. Yet before their eyes, in the fierce looting of cities, in the activities of Cantonese pirates and northern Hunghutzus, in brigandage rampant from Kansuh to the coast, the lesson is writ plain for all to read—that the masses, however pacific and fatalistic by force of tradition, will not long abide quietly under the shadow of starvation unless restrained by the strong hand of armed authority. That is the first object lesson to be learned from the dawn of the Republic's new era, and its development bids fair to eclipse in dramatic features the passing of the Manchu.

During the long ages in which China remained geographically isolated and politically self-sufficient, this thriftless breeding and wholesale destruction of superfluous less breeding and wholesale destruction of superfluous lives became the established order of existence. The annihilation of millions by flood, famine or disease was generally accepted as part of the common and inevitable destiny of man, "born to sorrow as the sparks fly upward," no more to be avoided by any devices of rulers than the devastations of earthquakes and typhoons. But, with the incursions and contact of a more successful civilization, by the influence of Christian missionaries and the severe lessons taught by Christian armies, the intelligence of the race has become gradually convinced of error, and deeply wounded in its *amour propre*. It has realized that the profession, if not the practice, of altruism and humanitarianism constitutes a necessary passport to the best society among nations. Indifference to human life, from being a philosophic attitude of acquiescence, has become an offence against modern civilization. Thus, relief of famine by public subscription, control of the forces of nature by science, plague prevention, the abolition of opium, infanticide and slavery—all these have become part of Young China's programme of reform. Free trade in death must yield to protection for life. But amidst all the disputations of the sects, and all the specifics of political leaders, there has been, as yet, hardly a voice raised against marriages of minors or against polygamy and reckless overbreeding, which are the basic causes of China's chronic unrest.

Another cause, almost as deep-rooted, lies in the absence of any living faith or inspiration of religion among the masses. Confucianism, the soulless system of an intellectual aristocrat, has permeated the national mind, robbing the people's Buddhism of the gentle mysticism, the courage and the reverence which beautify and console the lives of those who still follow the Way in Burmah, in India and Japan. There is the courage of an endurance almost superhuman in the lives of China's toiling millions, but the pathos and the poetry of a religion that redeems other Asiatic races from the heaviest penalties of materialism have been sacrificed, in Confucianism, to the worship of genius, to an ethical system that contents itself with defining man's relations to man and leaves him without enthusiasms, almost without curiosity, for the inner life and the mysteries of worlds unseen. The demons of the Taoists are mocked even by those who, because of superstition, purchase the priests' goodwill. Indifference to things spiritual is the keynote of the Chinese race—an indifference as profound among the "stupid people" as amongst the *literati*. The unity of the family and the State, the worship of ancestors, the "five relations" and the paramount duty of labour—these are the unshaken tenets of the Chinaman's creed, the sum and substance of his philosophy and religion. The effects of Western education, even in missionary schools, on the upper classes. reflect the callous agnosticism of the masses; hardly a whisper, in all this valley of dry bones, of any vivifying breath. The glory that once was China has perished. like that of Greece and Rome, because of the decay of religious faith and worship. The religious revival of the Brahmans, so notable a feature of recent unrest in India, has at present no counterpart in China; even the Mahomedans of the north-west are followers of the Prophet by tradition rather than by any force of conviction. The faith of the Boxers, the nearest approach to religious enthusiasm that modern China has produced, was like the Christianity of the Taipings—gross superstition, cloaking a fierce hunger for loot. Of religion as a steadying force, to guide the nation through its grievous perils of change, there is practically none; throughout all the land no voice of preacher, warrior-priest or saint, to create a national conscience and living ideals. A new flag, a national anthem composed by Shanghai journalists, a draft Constitution and vague ambitions of "astonishing the world" by miracles of metamorphosis, these are the inspirations and resources of Young China, confronting a great crisis in the nation's history. Of intelligence there is enough and to spare, enough to endow many student leaders with contempt for the foreigner, even as the Bengalis despise the Anglo-Saxon rulers of India. But they have yet to learn in the hard school of experience that (to quote from Professor Wegener) "the English rule India not by their intellectual but by their moral qualities, and by the white man's ethical superiority and strength of will." From Yuan Shih-k'ai down to the youngest student of the Dare-to-Die brigade, the absence of purposeful will-power is the most conspicuous characteristic of China's self-appointed leaders.

Yet another fundamental cause of unrest lies in that levelling tendency of China's democratic philosophy, which not only eliminates all effective initiative of leadership, but makes loyalty to a leader the rarest of Chinese virtues. Japanese patriotism, infused with all the chivalry and

stoicism of the feudal system, inspired by deep love of country and loyalty to the sovereign, was strong enough to evolve from the clash of systems a people united by definite ideals. Chinese patriotism, is, as yet, but the confused shouting of unstable and untrusted politicians, blind leaders of the blind, without permanent inspirations or consistent purpose. If the dream of the Republic has been accepted by the masses, it has not been because of any enthusiasm for the persons or principles of its founders, but because, in a people long accustomed to tyrannous misrule, there is always acquiescence in any upheaval with its possible hope of better things. If China possessed either a ruling caste of priests or warriors, or a self-respecting, energetic and staunch *bourgeoisie* to guide the people in the wilderness of new ideas, she would not be confronted with the prospect of long years of disorder, with the misrule and plundering of pretorian bands, more ruthless and undisciplined than those "whose licentious fury was the first symptom and cause of the decline of the Roman Empire."

Following upon the fundamental and remote causes of the actual condition of China's social structure, there are other proximate and possibly transient factors, such as, for instance, the recent changes in the educational system; relaxation of ethical restraints which formerly possessed the force of law; the widespread corruption of the educated classes; the disruptive force of new ideas and the absence of authoritative leaders. But every day's experience of the revolutionary movement tends to show that no radical change for the better can possibly be effected except by slow processes of education and religious revival applied through several generations, and that the short cut to Utopia is an vain illusion. It is an illusion common to the highest and lowest forms of civilization; in every country every generation believes that it stands at the parting of the ways "between an old, bad epoch and a good, new one," hope ever triumphing over experience.

China's civilization, though callously indifferent to human wastage and wreckage, asserts, by the very antiquity and continuity of its institutions and beliefs, solid claims to our respect. It has survived, and will survive again, invasions of outer barbarians and grave internal disorders, the racial traditions and habits of the masses remaining throughout in all essentials unchanged. Its recuperative strength and its wealth have ever lain in the people's unconquerable energy of labor, in the passive resistence of an instinctively democratic race-spirit, and in atavistic resistance to change. Content with its patriarchal system and patriarchal ideals, it has never evolved a middle class, like the *bourgeoisie* of Western Europe or the *samurai* of Japan, capable of organizing, through long periods of preparation, the materials for structural modification. Until yesterday, there was no reason why it should. The Middle Kingdom had every reason to believe in its own innate superiority; its scheme of civilization might well have continued to satisfy its needs had it been possible for China to maintain her splendid isolation. To-day, the economic pressure of the modern world, its *Weltpolitik*, cosmopolitan finance, and quick-firing guns, forbid all hope of her being allowed to resume that ancient and venerable state. The dream cherished by every Chinese official, since the days of Lord Macartney's mission, that we should take away our guns, our opium and our missionaries, and leave China in peace, is clearly impossible of fulfilment.

The foreign-educated Chinese student and the professional politician are among the results of the impact of the West. Undoubtedly, they constitute new and important factors in determining the future direction of social change; but in considering the present condition of the nation and its immediate future, there is, I think, a tendency to exaggerate the influence which these classes are destined to exercise in modifying the fundamental habits and sentiments of the race. It is easy to be misled, by false analogies taken from the history of Japan, into the common delusion that substantial change can be wrought in the political and social organization of the country, while yet the character of the masses remains unchanged. Earth's surface is strewn with battered monuments and dead cities which tell us of the passing of races, whose deep-rooted traditions could not be modified in time to cope with the sudden emergence of new and destructive forces. Portugal affords an instance of a country in which chronic unrest has for centuries harassed a laborious and pacific people, because of the belief of its upper class in political formulæ as remedies for national ills, and its failure to apply the slow-working structural changes of education and discipline. Russia's recurring paroxysms of protest against autocracy denote, in their lack of cohesion and continuity, the pathetic efforts of idealists to evolve a modern social structure out of materials largely medieval, to pass in a generation from the feudal system to organized socialism. It is usual in China to cite Japan as an example of what may be done by new laws and new machinery of government, all regardless of the fact that the qualities of will-power, loyalty and sustained energy which enabled Japan to effect in forty years those stupendous changes in her political and economic organization, were the results of long centuries of self-discipline and patriotism; oblivious, too, of the fact that the nation's social organization, its ethics, philosophy and culture, the subtle charm and poetry of the inner life of the people, have retained their own traditions and characteristics. Such cultural and political influences as Japan has assimilated, have been deliberately acquired, and intelligently adapted to the existing structure.

Of India it has been said by a thoughtful observer that if the British Ráj were to be withdrawn to-morrow, the moral effect of two centuries of British influence and example would swiftly fade and utterly disappear. The material monuments would be there—the roads and railways and canals—but the impression upon the thought-life of the people of all our conceptions and expositions of the purposes of existence, would pass like the memory of a dream. The brooding soul of the Asiatic would continue to take its time-honored way through this valley of illusions, undisturbed by any memories of our fretful materialism and vexatious dogma; and national customs would speedily reflect again immemorial ideals and beliefs. If this be true of India, how much more so of

China, for the masses of whose population European civilization looms only on the remoter horizons of imagination, a vague and menacing peril!

If, looking to the ancient and permanent foundations of the Chinese social structure on the one hand, and to the external forces which threaten that venerable and defenceless edifice on the other, we make bold to forecast the nation's destinies, there appears to be good ground for the belief that the factor which must continue to weigh most heavily in determining the immediate future lies in the fierceness of the struggle for bare existence. Admitting the continuance of conditions which create a population in excess of the normal food supply, there follows the necessity for an effective central authority ruling *a l'Orientale*. Without such an authority, the criminal classes, the dangerous elements that are ever in wait to prey on the industry of the peasantry and laboring classes, must increase and multiply with amazing rapidity—as they have done for the past six months—and gradually reduce the country, through chaotic destruction, to a condition of complete exhaustion.

Young China has been welcomed, as I have said, because the Manchus had become identified with calamity—but a Young China that wears the strange garments of the Europeans, and yet fails to exercise any effective authority, will not long be acknowledged as the ruling power. Despite the growth of national consciousness that has taken place during the past twenty years, the deep-rooted instincts of the race remain unmistakably unpolitical and philosophically indifferent to the origin of constituted authority, so long as it ensures maintenance of the accepted order of things Celestial. The Chinese national consciousness, indeed, resembles in many respects that of the Jewish people in its pride of race, its intellectual and philosophic aristocracy, its powers of cohesion and passive resistance, its collective economic superiority. The record of the Wei-Hai-Wei regiment, the spectacle of Chinese viceroys, governors and *literati* eagerly seeking the foreigner's protection at Shanghai and other treaty ports; even the gratitude shown by the inhabitants of Peking for the presence of the foreign troops in their midst, all these are indications of the truth that, if it should come to a choice between Young China and chaos and foreign administration with law and order, the masses would choose the latter. In forecasting the probable outcome of the present phase of disorganization, the question which immediately presents itself, therefore, is, What are the prospects of Young China's evolving an effective and acceptable administration under the Republic before the dangerous elements of the community shall have thrown off the last remnants of control? This is a question which each must answer for himself by the light of his knowledge or his faith. For myself, remembering the ancestry and genesis of Young China, being personally acquainted with many of its leading spirits, having followed its opinions and activities in every province from the beginning of the present revolution, I am compelled to the conviction that salvation from this quarter is impossible: not only because Young China itself is unregenerate and undisciplined, but because its ideals and projects of government involve the creation of a new social and political structure, utterly unsuited to the character and traditions of the race; because it is contrary to all experience that a people cut off from its deep-rooted beliefs and habits of life should develop and retain a vigorous national consciousness.

J. O. P. BLAND.

THE EMPEROR IN THE NEW JAPAN.

There is yet another institution to be considered, the importance of which in our discussion is supreme. To speak of the feudal contributions to New Japan without reference to the institution of the emperor would be like drawing an eye without its pupil. This institution was not, to be sure, created during the feudal period, but, though antedating it, has been, as we shall see, deeply affected by social conditions of the feudal ages.

As a matter of fact, the emperor was, in the first place, the very founder of Japan as a body politic; and then, in the seventh century, when her society was in danger of a possible foreign conquest and a certain internal dissolution, saved his tenure as sovereign by taking radical measures of reconstruction, and thereby saved Japan as a state.

By this time, the foundation of the position of the emperor as the historic ruler of the country seems to have been firmly established. Although, during the seven long centuries of the feudal rule, his political power was almost totally eclipsed by that of the suzerain and his barons; although, in the second half of the sixteenth century, he was even reduced to a state of unspeakable penury; and although, when his material condition improved after 1600, his sovereign rights were hardly less nominal than before—yet it is a remarkable fact in Japanese history that not even the most rough-handed suzerain ever for a moment presumed to replace the emperor as the titular sovereign. Throughout the feudal period, the emperor continued to command the implicit deference of all classes of people as the sole fountain of official rank and courtly honor; no suzerain's title was valid who had not received imperial investiture. Nominal as its control was and varied as its career had been, the emperorship had after all proved to be the oldest and most enduring, as well as the most exalted, of Japan's political and social institutions. Even at the depth of his poverty and helplessness, the emperor had never ceased to be a sacred and inviolable personage.

From this state, he rose suddenly to a commanding position when, in the last years of the shogunate, the movement for national unity was begun and carried on swiftly to triumph. The emperor was at once conceived by the followers of this movement as its soul; and, on the success of the cause, he was universally regarded as the center, the incarnation, of national traditions and national aspirations, embodying in himself Japan's past history and future destiny. The old principle of loyalty, tried and vitalized as it had been during the feudal ages,

had now been disengaged from its feudal ties, and took up the emperor as its common object of expression. For many years after the so-called restoration of 1868, therefore, loyalty to him and patriotism to the country were thought to be interchangeable terms. As time advanced, his councillors have carefully nursed the general trend of the national mind to regard the emperor as the embodiment of the great policies of the nation. Otherwise these policies, however wise, would have lacked sufficient authority and dignity to enlist the undivided devotion of the people that they have shown.

Why is it, then, that the Japanese emperor has not turned a despot? In the constitution which he granted to the nation in 1889, he asserts in clear terms that the sovereignty of Japan rests in his hands, not in those of the people; that the cabinet is responsible to him; and that the national assembly, explicitly designated "imperial" diet, is not an independent law-making organ, but a helpmate of the emperor in his legislative capacity, even the representative character of the lower house being considered its incidental, rather than essential, characteristic. Would it be safe for Japan to have such an autocrat over her, constitutional though he is now said to be? The answer is that the Japanese emperor has never been despotic, and no one can fancy by any stretch of imagination that he ever will be. Let me not essay to convince you of the truth of this assertion, for it seemingly contradicts the universal human nature, and otherwise may not be fully proven without an extended discourse. Let it suffice to point out rather dogmatically what might otherwise be logically demonstrated—some of the probable historical reasons for this extraordinary state of things relative to the Japanese emperor.

Both the emperor and the people in their attitude toward him have acquired in the course of Japan's long history a strongly marked common habit in their conception of his political power. Before the seventh century, when the organization of the state was largely tribal, with the emperor as the patriarch of the whole tribe, he was accustomed to regard the people in a paternal spirit, not as a tyrant, and their attitude toward him was deeply colored with something akin to filial sentiment. This mutual feeling, as of father and children, has, despite the important changes that have since occurred in the status of the emperor, come down from the ancient period, and is manifest to this day. With the seventh century began a highly artificial bureaucratic régime modelled after the Chinese policy, in which the sovereign, so far as his *political* life was concerned, was placed in a position in which he was bound to assume a largely impersonal attitude, his councillors bearing the major part of the responsibility of the government. Social and religious forces, none of which we have space to discuss here, also strongly contributed to this tendency. This bureaucratic period, which lasted for more than five centuries, is full of significant lessons of human history; and among them must be mentioned the gradual establishment, in addition to the older patriarchal sentiment, of the principle of what I call, for lack of a better phrase, the *political* impersonality of the emperor. Politically, that is, he must not assert his personal preferences and predilections, and, if he has a strong will, it must be exercised, not in translating it into positive deeds born of his own convictions, but in sinking his idiosyncrasies, and in sanctioning and giving effect to the counsels of responsible advisers. Such a mode of conduct would appear to the Occidental mind to indicate a weak individuality, and it cannot be denied that there were weak sovereigns; I content myself here, however, with suggesting that the world is wide and contains many viewpoints, and that circumstances favored the very strongest of the Japanese emperors of the period to regard this principle of their political impersonality as wise and to act accordingly. Then during the subsequent seven centuries of the feudal régime, except in the brief space of 1333-1336, the emperor was politically so completely overshadowed by the suzerain that he could not, if he would, assert his personal will. You may readily see that this state of things, continuing for so long a period, must have powerfully confirmed the historic principle of the imperial political impersonality.

This, then, is the unwritten law much more than a thousand years old, that, socially, the emperor and his subjects shall treat each other with family-like attachment, and, politically, he shall be impersonal and let properly constituted authorities act as his responsible ministers. If this law is not committed to writing, it is older than any written law in existence in Japan, and also immeasurably stronger, even as the fundamental laws of the English constitution are strong though unwritten.

And the strength of the Japanese principle has been greatly increased by the promulgation of the constitution in 1889. Though it does not verbally refer to the principle, the constitution has firmly established the regular organs—the diet, the cabinet, the privy council, and the judiciary—through which the fundamental principle should operate in the future. The constitution, when examined closely, ceases to appear merely as another product of the blind imitation of Occidental civilization on which Japan is said by some to have built her new career. The idea of having a written constitution is Western, as also are the prototypes of the diet and other new institutions, but the broad principles underlying them will be seen to be very largely Japanese. The sovereign remains socially gracious and politically impersonal. The government by his cabinet and privy council still retains a large degree of the old paternalism, which depended more on the wisdom of the rulers and the unity and continuity of their policies than on the fluctuating suggestions of the people; the door has been opened only partially to the influence of the Western idea—by no means the only political idea that humanity is capable of conceiving, and an idea whose merit is still under trial—that no one's interest would be considered who has no representative to fight and assert it. And the opening is so carefully controlled that it must widen only slowly with the increase in national wealth and political experience. In other words, the late Ito and the other framers of the constitution have elaborated it in such wise as to *train* the self-governing capacity of the nation, rather than *exercising* it before it was mature.

The emperor, while reserving the theoretical sovereignty in his hands, has thus deliberately founded his future power upon the gradual training of his subjects, which shall at once be promoted and tested by means of his constitutional organs. The whole structure of the new régime may, therefore, be said to legalize and define the great national principle that has a history of many centuries. Thereby, it would seem, even the remotest possibility that might have hitherto existed, if at all, of the violation of the principle by a willful sovereign is to all intents and purposes eliminated.

From this point of view, it is most fortunate that, in the extremely important formative period since 1867, Japan has been blessed with an emperor who in temper and in training typifies what her constitutional sovereign should be. Frank and generous but highly conservative, the reigning ruler has loyally supported the policies of the nation as interpreted by his gifted advisers; and then, when the wealth and education of the middle classes were sufficiently advanced, he sanctioned the grant of a political franchise which is so designed as to be shared by a greater and greater portion of the people automatically with their progress in knowledge and material welfare. Future historians will be able to appreciate better than we the great confirming influence which the present reign will have exercised upon the constitutional career of New Japan in its very first decades.—*Dr. K. Asakawa in the Journal of Racial Development.*

TRADE OF THE NORTHERN PARTS OF CHINA.
Report of the Maritime Customs.

NEWCHWANG TRADE REPORT.

1°. LOCAL.—The net value of the trade for the year was *Hk.Tls.* 58,082,531, being an increase of *Hk.Tls.* 5,070,331 over the figures for 1910, and had it not been for plague in the winter, disastrous floods in the summer, and revolution in the autumn, there is little doubt that this increase would have been still greater. The epidemic of pneumonic plague, which broke out at Manchouli in the autumn of 1910, spread rapidly along the railways and through Southern Manchuria, Chihli, and Shantung. The disease was carried inland by carters and foot-passengers, leaving a grim trail of mortality in its wake. The energetic measures taken by the Manchurian Viceroy and the territorial officials, working in hearty co-operation with the missionary doctors and other foreign and native doctors specially employed for the purpose, undoubtedly prevented the further spread of the disease, which with the advent of spring considerably abated its fury, and by the end of March was practically over. A conference of all the leading authorities was afterwards held at Moukden, with the view of determining the best means of preventing any future outbreak and of combating it should it reappear. The total number of deaths attributed to this outbreak is estimated at between 30,000 and 40,000. An unusual quantity of snow fell during the winter, and when the spring thaws set in the roads became almost impassable for the transport of merchandise from the interior. The conservancy of the Liao River, of which mention was made in the previous year's report, has not yet been taken in hand. A scheme which met with the approval of the local officials, the Consular body, and the Chambers of Commerce was drawn up and transmitted to the higher authorities last summer, but up to the end of the year had not received final sanction, due probably, in a large part, to the political unheaval in Central China. If, however, Newchwang is to continue to hold its present position in the trade of Manchuria, the dredging of the outer bar and the conservancy of the river generally cannot be much longer delayed. The heavy rainfall during the summer caused a large amount of damage in the lower part of the Liao River Valley, and farmers in the outlying districts are reported to be in great distress. Owing to the scarcity of cereals in the autumn, the Viceroy found it necessary to issue a proclamation forbidding their export. The prohibition took effect from the 22nd September, and continued in force till the 22nd October, when the embargo was removed. In September a proclamation was also issued increasing the production tax on Manchurian beans from 1 per cent. to 3 per cent., to take effect from the 22nd September, and abolishing the production tax on both beancake and bean oil. On the outbreak of the revolution, in October, the proclamation was withdrawn, so that its effect on the industry was imperceptible. The harvest in the Lower Liao is said to be considerably below the average, those places most affected by the summer rains being in a particularly backward state; but in the higher parts of the province, where the excess of water could more rapidly drain away, the crops are reported to be quite up to normal.

2°. REVENUE.—The revenue for the year was *Hk.Tls.* 1,050,782, and is the largest collection ever made at this port, showing an increase over the figures for 1910 of *Hk.Tls.* 55,541. Import duty increased by *Hk.Tls.* 17,104; export duty, by *Hk.Tls.* 24,605; coast trade duty, by *Hk.-Tls.* 5,368; and transit dues, by *Hk.Tls.* 11,416. Tonnage dues decreased by *Hk.Tls.* 2,554. Manchuria being now closed to the importation of opium, likin necessarily disappears altogether. In addition to the foregoing, *Hk.Tls.* 14,510 were collected on cargo carried by vessels trading under Inland Steam Navigation Rules, being a decrease of *Hk.Tls.* 2,210 on the previous year's figures.

3°. FOREIGN GOODS.—(*a.*) *Imports, Direct and Coastwise.*—The total value of foreign goods imported during the year aggregated *Hk.Tls.* 21,175,085, as against *Hk.Tls.* 18,946,798 for 1910. Direct imports are represented by *Hk.Tls.* 9,551,414, and coastwise arrivals, by *Hk.Tls.* 11,623,671. Conspicuous increases are noticeable in the following cotton piece goods: American and English grey shirtings, Japanese grey sheetings, Japanese drills, English jeans, *T*-cloths, plain and figured lastings, printed flannels, Japanese cotton cloth, cotton blankets, and handkerchiefs. Decreases are shown in Japanese grey shirtings, American and English grey sheetings, English drills, plain italians, turkey reds, and English, Indian, and Japanese cotton yarn. The considerable increase in the import of Shanghai Cotton Mill products undoubtedly accounts, to some extent, for decreases in those of foreign sheetings, drills, and cotton yarn. The continued rise in the quantity of Japanese cotton cloth imported is a proof of the established popularity of this class of goods. American flour, which was considered to be a dying import, seems to have taken a new lease of life, with the apparent intention of making a strong fight against that produced by the mills at Harbin, Tiehling, and Shanghai. American kerosene oil shows an advance, while Sumatra oil declined somewhat. For further details concerning imports, the reader is referred to the comparative tables accompanying this report. There is also a large consumption of Russian oil, which arrives by overland transport, and for which no figures are available; so the quantities of American and Sumatra oil imported bear no definite relation to the requirements of the district. The import of sugar decreased by 65,000 piculs.

(*b.*) *Re-exports.*—The value of re-exports to foreign countries amounted to *Hk.Tls.* 2,641, to Chinese ports, *Hk.Tls.* 82,605, making a total of *Hk.Tls* 85,246, which, being deducted from the total value of foreign goods imported, leaves *Hk.Tls.* 21,089,839 as the net value of the trade for the year.

4°. NATIVE GOODS.—(*a.*) *Exports, Abroad and Coastwise (including Re-exports).*—The total value of the export trade was *Hk.Tls.* 26,768,700 (to foreign countries, *Hk.Tls.*

11,946,728, to Chinese ports, *Hk.Tls.* 14,776,009, and native re-exports to foreign countries and Chinese ports, *Hk Tls.* 45,963). The total represents an advance on the previous year's figures of *Hk.Tls.* 1,417,122. The most noteworthy increases are in beancake, coal, horse hair and tails, kaoliang, millet, castor oil, and medicines. On the other hand, the quality of beans, musk, bean oil, melon seeds, sesamum seed, and untanned goat skins all decreased. The export of cereals during the early autumn was interfered with to a considerable degree by the prohibition proclamation issued by the Viceroy of Manchuria, which continued in force for one month. It is reported that during that period many contracts were cancelled. Shortly after the issue of this proclamation came the news of the revolutionary outbreak in the central provinces, the effect of which rapidly made itself felt on the trade of this port. The money market was completely upset, and what should have been the busiest season of the year closed with less vitality than has been known for many years.

(*b.*) *Imports.*—The value of native imports amounted to *Hk.Tls.* 10,315,918, which, when compared with the 1910 figures, shows an increase of *Hk.Tls.* 1,330,904. Of native cotton goods, sheetings show an increase of 42,600 pieces, and cotton yarn was more than double the quantity imported during the previous year. Drills appear for the first time in our returns, and seem to be in good demand, the importation for the year being 24,410 pieces. All these goods are the products of the Shanghai cotton mills, and their increasing import into Manchuria is reflected in the decrease of imports of the same class of goods from abroad. Coal shows an increase, and is the product of the Honan and the Kaiping mines. The former is of the anthracite variety, and is principally used for household purposes, particularly during the winter months.

5°. INLAND TRANSIT.—(*a.*) *Inwards.*—The value of goods sent inland under transit pass during the year was *Hk.Tls.* 1,158,447, or nearly three times that of the year before. The number of passes issued was 5,775, as against 2,433 for 1910. In addition to such goods, a very large quantity of both foreign and native goods is forwarded to the various open Manchurian marts under Manchurian special exemption certificate, which exempts from further taxation all import-duty paid foreign goods and export-duty and coast-trade-duty paid native goods declared for conveyance to any opened Manchurian trade mart, irrespective of the mode of transport. No less than 7,246 of these certificates were issued, as against 2,119 in 1910, and during the latter part of the season applications for their issue were presented at the rate of from 200 to 350 daily.

(*b.*) *Outwards.*—Three outward transit passes were issued during the year, covering native produce to the value of *Hk.Tls.* 8,199.

TIENTSIN TRADE REPORT.

1°. LOCAL.—The gross value of the trade in 1911 amounted to *Hk.Tls.* 118,349,966, being 17 million taels over the previous year's figures. From a revenue point of view the year proved most satisfactory, the collection being the best on record since the opening of the port to foreign commerce. This result is attributable to a notable increase in exports, whereas imports showed a slight decline. The outbreak of plague in Manchuria during the first quarter and the political upheaval during the last quarter of the year caused serious hindrances to normal trade in the districts supplied by this port. During the time the plague was raging from Harbin to Moukden, and even nearer to Tientsin, passenger traffic on the railways, owing to the severe quarantine regulations, was very much restricted, and dealers from the north did not come to Tientsin to buy their spring supplies. This resulted in an accumulation of stocks which in the ordinary course of events would have been cleared during the spring, but which had to be held over until the autumn. An improvement set in during April, and a healthy tone prevailed until the sudden outburst of the revolution, in the latter part of October. Deliveries from importers godowns were very satisfactory during the summer months and Chinese dealers were anticipating a fairly good year; but they were doomed to disappointment, as all demand ceased directly the troubles commenced. At the same time there was a total collapse of credit. Only a few days after hostilities began at Wuchang and the revolutionary movement seemed to be spreading over the whole of the country, all the native banks in Tientsin and Peking were in difficulties and had to close down. Provincial dealers became conspicuous by their absence, as they could not get goods on credit, had no means of transferring money (owing to the closing of the native banks), and dared not (on account of the state of lawlessness existing in the surrounding country) travel with sycee to purchase goods. The Tientsin native merchants have large sums of money outstanding against these provincial dealers which, for the above reasons, they have not been able to collect, but it is believed that they none the less have all been able to meet their liabilities to the foreign merchants in the port. Since the beginning of the revolution cargo has again been piling up in foreign godowns and a great quantity of goods has had to be held over. This accumulation, together with a quantity still to come forward of heavy stocks bought on the top of the home markets, will have to be carried by the foreign banks and merchants, unless the political situation clears rapidly and permits a return to normal trade. It is gratifying to chronicle the settlement of two important matters which had been under litigation for a considerable time. The graver one of these was the salt merchants difficulties, which were settled by the repayment of outstanding loans from local foreign banks. It may be recalled that after the troubles of 1900, and the consequent disorganization of the Chang-Lu Salt Gabelle, the salt trade of this province could not regain its former equilibrium without loans. Gradually the foreign banks of Tientsin were involved to the amount of 7 million taels. This sum, so easily obtained, had not been used for its intended purpose—the salt trade,—but had been largely deviated to unhappy speculations; so that at the beginning of 1911 the principal farmers of the gabelle found themselves incapable of fulfilling their en-

gagements, and the crisis occurred. The local banks had no alternative but to apply to the Salt Commissioner for repayment, as by his proclamations, on which the loans were granted, he had made himself guarantor for the proper use of the loans. After several months of correspondence and interviews, the foreign banks gained their case, the Minister of the Board of Finance instructing the provincial authorities to take over the gabelle's indebtedness and liquidate the claim with promptitude, which was effected in July and August. Next, the currency dispute, alluded to in previous reports, was successfully closed, and the indebtedness of the native bankers to the local foreign exchange banks on account of debased sycee was made good. The Chinese and foreign Joint Commission, which had been instituted, to devise means for extricating both foreign and native merchants from the great commercial crisis of 1908, held its final meeting in July, and was then officially dissolved. Its work of liquidating the indebtedness of the native merchants will be continued by its offspring, the Commercial Guarantee Bank of Chihli ( ), alluded to in the preceding year's report. The normal capital of this bank is *Tls.* 4,000,000. Bonds to the amount of *Tls.* 5,000,000 were to be issued, and assets of the dealers representing *Tls.* 8,000,000, are in the hands of the bank. A loan of *Tls.* 7,000,000 has been made from the Ta Ching Bank, of which sum *Tls.* 700,000 has been handed over. The bank has been registered with the Boards of Finance, Commerce, and Foreign Affairs, and is managed by a directorate composed of three foreigners and three natives. The telegraphic transfer rate of exchange, Tientsin on London, during the year fluctuated from *2s.* 5¾*d.* to *2s.* 7¾*d.*

2°. REVENUE.—The total collection amounted to *Hk.-Tls.* 2,421,543. This is the best on record, showing an increase of *Hk.Tls.* 187,627 over the preceding year's collection, and exceeding by *Hk.Tls.* 21,536 the total receipts for 1906, which hitherto held the lead. Small though it be, this advance upon the best year's figures must be considered eminently satisfactory, when it is remembered that duty and likin on opium, which amounted to *Hk.Tls* 29,915 in 1906, have now entirely disappeared from the Revenue table. Compared with the figures for 1910, the increase recorded is chiefly under the headings of exports and imports—*Hk.Tls.* 142,000 and *Hk.Tls.* 105,000 respectively. Tonnage dues also participated by *Hk.Tls.* 8,553. Coast trade duty and transit dues each suffered a decline, of *Hk.Tls.* 9,000 and *Hk.Tls.* 52,500 respectively. The falling off in coast trade duty, while there was a large increase in the value of native imports, is due to exemption from coast trade duty of native manufactures of foreign type and of large quantities of tribute rice.

3°. FOREIGN GOODS.—(*a.*) *Imports, Direct and Coastwise.*—The direct foreign trade continues to improve. The value of imports from foreign countries direct amounted to *Hk.Tls.* 33,824,371, being 1.15 million taels more than in the previous year; while arrivals *via* Shanghai amounted to *Hk.Tls.* 19,676,668, or 1.68 million taels less than in 1910. Deducting *Hk.Tls.* 775,073 for foreign goods re-exported, the net total value of the foreign imports came to *Hk.Tls.* 52,725,966, being a decrease of over half a million as compared with the previous year's figures. Plague and political disturbances in China, and the series of strikes in England, hampered business considerably. The above figures indicate that had it not been for these adverse factors the imports would have shown and unprecedented stride. As it is, the volume of trade remained practically stationary, and no commodities show fluctuation calling for special remark, with the exception of kerosene oil, of which 27 million gallons, almost equally divided between American and Sumatra products, were imported, as against 21½ million gallons during the previous year. The competition which started between the two great petroleum firms in the autumn of 1910 was continued throughout 1911, but it may be said that this competition has resulted in less rate-cutting here than in other parts of China; prices were at their lowest at the end of 1910, they rose a little in the spring of 1911, and have practically remained unchanged ever since.

(*b.*) *Re-exports.*—The value of reshipments abroad of foreign goods amounted to *Hk.Tls.* 157,886. Of this sum, *Hk.Tls.* 123,822 represents the value of 4,669 piculs of Japanese copper sent back to Japan, the balance being made up of small lots of sundries. The re-exports coastwise amounted to *Hk.Tls.* 617,189.

4°. NATIVE GOODS.—(*a.*) *Exports, Abroad and Coastwise* (*including Re-exports*).—The total value of the export trade is the highest on record since the opening of the port, viz., *Hk.Tls.* 40,333,194, being an increase of over 12½ million taels as compared with the preceding year's figures and of 9½ million taels compared with the exports for 1909. The outstanding feature was the enormous increase in the shipment of raw cotton, which advanced from 125,226 piculs in 1910 to 387,441 piculs, and a further advance would have been chronicled had it not been for the disastrous fire in April, which destroyed a considerable stock. The reason of this large export of cotton was doubtless the high price of American cotton during the greater part of the year and the activity of the Japanese market during the last few months. In September, however, the price of American cotton came down with a run, when it became apparent that the new crop would be plentiful, and since that date the exports to Europe have been restricted. The shipments during the year were as follows:—

	QUANTITY.	VALUE.
	Piculs.	*Hk.Tls.*
To Japan	105,579	2,568,737
" Germany	4,449	108,244
" Shanghai, for transhipment abroad	275,722	6,708,316
" Hongkong	1,691	41,097

There was also a substantial increase in the shipments of sheep's wool, from 156,552 piculs in 1910 to 261,129 piculs. The bulk of this went to America, where the market has been steady, with a good demand towards the end of the year. Another noticeable feature of the year's exports was the very low price of Tibetan goods, and especially Tibetan lamb-skin crosses. Tibets have been for many years one of the largest articles of export from this port; but owing to an accumulation of stocks in the home markets, due, no doubt, to the fur having gone out of

fashion, these goods have been a drug in the market, and have never been lower in price than during the period under review. These remarks apply in a great measure to all skins and furs, the market having been dull and depressed throughout. Kid-skin crosses show a large decrease compared with the quantities shipped during 1910; and shipments of untanned goat skins and sheep skins were also considerably less. The world demand for lubricants is seen in the largely increased export of oils and of oil-bearing products, such as beans, ground-nuts, seasamum seed, and walnuts, while others, such as cotton seed, linseed, rape seed, and lard, appear in our returns for the first time. The aggregate value of this class of exports, which five years ago came to only *Hk.Tls.* 850,000, amounted to *Hk.Tls.* 5,225,000 in 1911, and there is every prospect of continued increase; indeed, there seems little doubt that the oil-bearing products of China will soon outstrip both silk and tea in importance and value. Other exports, in most cases, compare favorably, but call for no special comment. The disturbed state of the country during the closing months of the year did not affect exports to any great extent. Some delay occurred in the transportation of goods from the interior; but the vitality of the Tientsin export market has not been seriously disturbed, and with firm markets ruling in Europe and America the outlook is favorable.

(*b.*) *Imports.*—The gross value of native produce imported, chiefly from Hankow, Shanghai, and Canton and other Southern ports, advanced from 19¾ million Haikwan taels in 1910 to 25½ million. The quantity of native-manufactured piece goods of foreign type—sheetings and drills—increased considerably. Cotton yarn advanced from 54,633 piculs in 1910 to 84,780 piculs; nankeens, from 4,075 to 6,140 piculs. Of sundries, the items showing marked increase are flour (Shanghai Mill), rice, and especially sugar, also timber from Antung.

10°. MISCELLANEOUS.—*Coal Mines.*—The output during 1911 at the mines of the Peking Syndicate, Limited, near Hwaikingfu, in Honan, was 417,190 tons, an increase of some 60,000 tons as compared with that for 1910, and the amount would have been greater but for the state of the market prevailing during the latter part of the year throughout the province and country generally. The output of the Tsingsing mines remained at 1,000 tons daily, but machinery is now being erected which will increase it to 1,500 tons. The mines of the Chinese Engineering and Mining Company, Limited, showed a further increase in the output and sales, as may be seen from the following figures:—

	OUTPUT.	SALES.
	Tons.	*Tons.*
1909	1,359,502	1,231,481
1910	1,159,000	1,209,000
1911	1,433,546	1,359,227

Prices during the year ruled very low, on account of the competition of different mines. The result has been a considerable widening of the consumption of coal in the north, where the low prices have been all in favor of buyers. The various railways in the north of China were consumers to the extent of 173,629 tons of Kaiping coal—a steadily increasing quantity, in spite of the fact that many small native-worked mines have been opened up in close proximity to some of the railways. Towards the end of the year the outbreak of revolution in the south caused a great restriction in the sales of coal from all the above-mentioned mines, due to financial stringency and the disorganization of railway traffic caused by the movement of troops.

CHEFOO TRADE REPORT.

1°. LOCAL.—Pneumonic plague appeared in the port in the early part of January, brought over from Manchuria by traders and coolies returning to their homes in Shantung. It spread over the towns and villages of the north-eastern portion of the province, and in places caused considerable mortality. Fortunately, nowhere did it become endemic or effect those who were not brought into close contact with it. In Chefoo some 2,000 people died out of a population of 50,000. Except in a few instances where the disease was directly introduced by a patient into a household, the victims were all of that destitute class who herd in "doss-houses." Judging from what was seen of this particular epidemic at close quarters, there is no disease more deadly or more easily avoided than pneumonic plague. It can apparently only be maintained by the crowding of human beings into confined and unventilated dwellings. That it was not communicable by the agency of inanimate objects of any kind was proved beyond a shadow of doubt. The result of this visitation, nevertheless, was a rigorous boycott of Chefoo by the coast steamers, which usually make it a port of call. Fortunately, and for no assignable reason, the epidemic commenced to wane in the latter part of February, and gradually, but steadily, decreased till it finally flickered out in April. Early in May all quarantine restrictions against the port had been removed, and trade resumed its normal course—for a time. The spring wheat harvest throughout the district was exceptionally abundant, but quite failed to make up for the ruin wrought by heavy rains and floods to the far more important autumn crops of millet and indian corn. As usual, the western and southern districts of the province suffered most. Yet another attempt was made during the year to push forward the unfortunate breakwater project, which had been temporarily side-tracked by the Shantung Governor's scheme of provincial taxation, referred to in the report for 1910. Perceiving that this scheme showed little or no signs of progress, the native and foreign Chambers of Commerce proposed to revert to the original scheme of local taxation put forward in January, 1910. The Peking Government at once agreed, and pressed for the assent of the Diplomatic body to the proposal already put before them during the previous year. Altogether unimaginable difficulties and objections supervened locally, and once more the execution of this simple, necessary, and beneficient work has been delayed—not for long, it is to be hoped. The winter season up to the time of writing has fortunately been exceptionally mild, without any of the destructive gales that usually prevail at this season. Vessels

were unable to work for 35 entire days during the year. During the early part of the year the representatives of the guilds and merchants of the district petitioned the Government to undertake the financing and construction of the Chefoo—Weihsien Railway, a work for which their own resources had been shown to be inadequate. I understand the Government had virtually consented, when the insurrection in the Yangtze Valley relegated all such matters to an indefinite future. Here, again, it is to be hoped that no time will be lost in prosecuting vigorously this necessary undertaking. There is probably no spot on the globe where a railway would be more rapidly remunerative and generally beneficial than the north-western portion of Shangtung. Except for the canal known as the Hsiaochingho, near the mouth of the Yellow River, the district is destitute of waterways and depends almost entirely on pack-mules for communication between the coast and the interior. On the 13th November Chefoo declared for the revolutionary party, and set up a provisional government of its own, the members of which were elected by the local gentry and merchants. Under the firm but prudent rule of WANG CH'UAN-CHIUNG, the Administrator, and his colleagues, the port and district, though independent of the rest of the province, remained peaceful and relatively prosperous up to the close of the year under very anomalous administrative conditions. It is not to be expected that a year which began with an extremely alarming epidemic of plague, continued with flood and famine, and ended with revolution should be able to show satisfactory trade and revenue figures or have been prosperous for the trader. It speaks well for the commercial soundness of the port that throughout this period of widespread panic and collapse of credit there should have been only one mercantile failure of any importance at Chefoo—that of L. W. Singtai & Co., an old-established local concern, which joined the business of banker to that of merchants and storekeepers and found the combination unequal to the strain of hard times—as others have done before. The gross and net values of the trade of the port for 1911 varied little from those of the preceding year; but this is mainly due to a brief spurt in the importation of native opium. Actually, an examination of the tables shows a considerable decline all round in both imports and exports.

2°. REVENUE.—The Maritime Customs revenue for the year was *Hk.Tls.* 595,914, representing a decrease of *Hk.Tls.* 55,000 as compared with that for 1910 and of *Hk.Tls.* 150,000 as compared with the average of the previous nine years. Of this reduced figure, *Hk.Tls* 3,516 were export duties on rice shipments from Wuhu collected on behalf of that Custom House. With the exception of coast trade and foreign opium duties, which made a very slight advance, all categories show a sensible decrease, and export duties a net loss, as compared with the figures of the previous year, of *Hk.Tls.* 48,139. The fall in tonnage dues—which in 1906 amounted to over *Hk.Tls.* 65,000—to *Hk.Tls.* 37,000 odd is noteworthy, but is explained by the absence of shipping, owing to the plague, during the early months of the year. The following figures show the proportion of duties, other than tonnage dues, paid by native and foreign merchants during the past four years:—

	1908.	1909.	1910.	1911.
	Hk.Tls.	*Hk.Tls.*	*Hk.Tls.*	*Hk.Tls.*
Native	490,075	569,938	464,229	461,564
Foreign	95,013	128,483	132,465	96,610

3°. FOREIGN GOODS.—(*a.*) *Imports, Direct and Coastwise.*—The total value of these goods shown in the returns was *Hk.Tls.* 10,993,638, as against *Hk.Tls.* 11,870,317. Turning to the table—which, however, only shows net importation less re-exports,—we find the biggest decline in American sheetings—132,299 pieces,—which were 73,000 pieces short of the 1910 figures, and have shown a progressive decline since 1906, when they reached the high figure of 633,000 pieces. English sheetings—never a large item here—declined to 8,000 pieces, as against 19,000 pieces in 1910; and Japanese drills fell from 28,000 to 16,000 pieces. English jeans and *T*-cloths maintained the reduced average of the past few years, as did also Japanese *T*-cloths. The same may be said of chintzes and furniture, cotton italians, and turkey red cambrics. Japanese cotton cloth and yarn also keep their hold on the restricted local market. The demand for iron bars, nail-rod iron, and old iron was steady. Among sundries, cigarettes increased. Flour—with over 100,000 piculs—resumed its once important place among our imports. Japan matches improved as compared with the arrivals in 1910. For kerosene oil, the figures show a net importation of 2,860,000 gallons, which, however, represents less than half of the gross imports—5,974,951 gallons; a portion of the 1910 arrivals, imported at the close of that year, is included in this figure. The gross import and export for the two years are therefore given below:—

	1910.	1911.
	Gallons.	*Gallons.*
Imported	5,168,364	5,974,951
Re-exported (mainly to Dairen and Antung)	1,610,150	3,114,150

All of the above—except 100,000 gallons of Sumatra oil, imported in 1910—was American oil. Foreign sugars declined, owing to the general rise in the price of this commodity in the home markets. Seaweed, an article of food imported principally from Japan, improved with other foodstuffs.

(*b.*) *Re-exports.*—In spite of the increased shipments of American oil to Dairen and Antung, the value of foreign goods re-exported to those places fell considerably, as did also that of reshipments to Korea. It is probable that supplies now reach the peninsula in increasing quantities direct from Shanghai.

4°. NATIVE GOODS.—(*a.*) *Exports, Abroad and Coastwise (including Re-exports).*—The value of native produce exported—*Hk.Tls.* 9,761,000—shows a heavy decline as compared with the figures of the two previous years. The principal causes of this decline is to be found in the reduced shipments of pongees and the fall in the price of wild raw silk. Of pongees, there were exported 5,876 piculs, as compared with 7,394 piculs in 1910 and 9,460

piculs in 1909. I am indebted to a local merchant for the following notes on the trade in this article: Generally speaking, the year was not a profitable one for foreign or native merchant. Importers at home were burdened with large stocks of poor quality remaining over from earlier years and were disinclined to give orders. Fashion in Europe had grown tired of the rather disappointing genuine article, with its unevenness and stains and spurious *gros grain* effect—defects which in such an expensive fabric should and could be easily avoided. Consequently, European pongees, which would stand a very poor chance with the Chinese if manufacturers would show ordinary foresight, absorbed must of the trade—also, naturally, though quite needlessly, affected by the fear of plague infection during the early part of the year. Fortunately, Australia became a heavy buyer, though prices there eventually gave way to a point that ceased to give profitable returns. The demand for heavy goods during the year was small. Light Nanshans were chiefly in request, 50-yard lengths being preferred. The prices asked for these lengths were, however, so high that buyers had generally to be content with the lower-priced 19-yard pieces. The shipments of wild raw silk were in excess of those of the previous year, but were again made on a generally falling market, and, it is to be feared, were far from profitable. Prices at Shanghai fell from *Tls.* 320 to *Tls.* 250 a picul for 1st quality, and from *Tls.* 280 to *Tls.* 220 for 2nd quality. The comparatively low prices paid for cocoons in the spring—*Tls.* 1.25-*Tls.* 0.90 per 1,000—have no doubt enabled the manufacturers to weather a bad year as far as profits go. Six of the 43 local filatures were closed during the year, and the steam filatures did not work at all. The demand for waste or refuse wild silk has, on the other hand, been unusually brisk, and higher prices than ever before were paid in 1911 for this article. If imitation pongee is fated to replace the Shantung fabric, it may be hoped that it will at least have to come to Chefoo for its material. The shipments of beancake show some improvement on the figures for 1910, in spite of competition elsewhere and the high prices of beans, but are a long way below the figures of former years and must be regarded as a dwindling export. The only other local staple—vermicelli—fell off slightly, but still maintains its dominating position. The shipments of clothing, including boots and shoes, for Vladivostock improved. Cattle and fresh beef were shipped to the full extent of the limit imposed in 1910—250 head a month,—and extended in 1911 to 500. The Chefoo district produces a very superior quality of ground-nut. The quantities shipped during the year—170,000 piculs shelled and 28,000 piculs unshelled—were satisfactory, and may be expected to increase considerably in the near future.

(*b.*) *Imports.*—The value of native goods imported—*Hk.Tls.* 8,478,000—shows an improvement of a million taels as compared with the 1910 figures; but much of this must be set down to the increased importations of native opium. Both flour and rice fell off, the former, however, being more than made good by foreign flour. Brown and white sugar from Swatow profited by the rise in price of the foreign article, the importations reaching the relatively high total of 75,000 piculs. Large quantities of beans came forward from Manchuria, to meet the general lack of foodstuffs prevailing throughout the province. The importations of wild cocoons through the Maritime and Native Customs aggregated 243,000 piculs, as against 157,000 piculs in 1910. Prices ruling here were unusually low, and the dealers must have had an unprofitable year.

CHINESE FINANCE AND FOREIGN SUPERVISION.

From The Saturday Review.

Dr. Morrison's appointment to be Political Adviser to the President of the Chinese Republic will excite interest and expectation. It is no exaggeration to say that he has acquired a world-wide reputation by his correspondence with the "Times," and that he has justified it by comprehensive study and presentment of his subject. His messages have seemed to breathe, at times, an optimism we have been unable to share; but for breadth of treatment and perception of facts they have been unrivalled. Nor is it less remarkable that he is widely known in China as well as in the West. No European is better known to all classes of officials, high and low, throughout the Empire. He has visited every province of China in the course of his travels, and is personally acquainted with well-nigh every metropolitan and provincial official of high degree. In Peking itself his name is better known probably to the man in the street than that of any other foreigner; nor is any foreigner in Peking more respected by all classes of Chinese. So that he starts with advantages that might seem to ensure success in so far as it lies within the power of an agent to command it, and every well-wisher of China will hope that his experience may be more encouraging than that of his predecessors in the field. But it is well to remember that he is not the first foreigner whose advice the Chinese have invited —and neglected. As a matter of fact Chinese of the better class do not need advice. They know better than any foreigner can teach them the principles that should guide them in the government of their country. What they do need is the assistance of able and upright foreign experts in organizing the financial and administrative reforms that are necessary to place China upon her feet and to establish safeguards against the dishonesty which taints Chinese officialdom. But this presupposes delegation of authority; and that is precisely the point at which Chinese vanity, self-seeking and timidity have hitherto stopped short. They admit the value of our attainments; but vanity forbids them to admit that foreigners can do anything which they cannot achieve; self-interest precludes single-minded desire for honest finance, and there is a real if vague and exaggerated dread of the consequences to which foreign supervision might lead. Administration on Chinese Customs lines appears to offer the only real hope for financial redemption; but foreigners most conversant with the Chinese have, we fear, little hope of acceptance by them of this class of administration so long as there is chance left of trifling, shall we say, with Government funds or there are any funds left to trifle with. Absolute bankruptcy, or a condition so near to it that supervision must be accepted as the only alternative to intervention, would appear the only available lever.

Much nonsense has been written, telegraphed, and talked about forcing upon China loans larger than she requires. There may be some who doubt the wisdom or

kindness of lending money at all to people whose available resources are pledged and whose capacity to bear further burdens depends on the issue of developments not yet begun. But a wish to force upon people in that position more money than they desire or need implies a degree of philanthropy or dementation not usually associated with High Finance. The proposition sounds, in fact, so grotesque that one is tempted to surmise some occult motive for its emission—a desire to supplement, perhaps, the cry of "domination," and to provide additional excuse for more casual finance. What the Chinese really resent is not obtrusion of money but exaction of guarantees. Some 12,000,000 Tls. (say £1,500,000) have been advanced, so far, with a view to assisting the restoration of order; and they would be content, probably, to go on indefinitely in that hand-to-mouth way. But the time has arrived, in the opinion of the banks when, if assistance is to be continued, it will be necessary to require guarantees in the shape of substantial security adequately administered, coupled with advisory and supervisory rights. There may be, as we have suggested, a doubt as to the discretion of lending China any more money at all; but there can be none as to the indiscretion of permitting her to incur further debt without insisting on such reforms as may enable her to sustain it. This supervision the Government is unwilling or unable, in face of provincial opposition, to accept; and, as the banks insist on the conditions they have laid down, there is a deadlock. The new Republicans seem to think that they are entitled to be admitted, forthwith, into the first rank of civilized nations. They talk of sovereign rights but forget that they are practically bankrupt. They demand recognition but have given no evidence of capacity to govern. They can neither maintain order, exact obedience, nor procure observance of treaties. The dishonesty in official circles is alleged to be as bad as anything in the time of the Manchus, unredeemed by the dignity and ability which were to be found under the old régime. The actual power of control over the provinces may have been slight; but there lay in the Imperial concept an authority which men shrank from resisting. Many doubt whether an elected authority will ever be able to hold the Empire together, as it was held by traditional respect for the occupant of the Dragon Throne. But there clearly is, for the moment, no Government in China which can be recognized because there is, as the "North China Herald" uncompromisingly puts it, none that receive practical recognition at home. "When Peking can give proof of its ability to enact a law, a tax, or a system for collection of revenue, and to obtain a reasonable measure of obedience in every province, then it can be admitted that a government worthy of recognition exists." But such is clearly not yet the case, and herein lies one difficulty in the way of imposing the reforms and creating the machinery which are essential to improved administration and without which it is inconceivable that the six nations group will invite their clients to invest more money in Chinese bonds.

We hear much of the dignity and order maintained in the Assembly; but either the Assembly lacks authority and outside influences neutralize its purpose. or antagonisms behind the scenes contradict the decorum of its sittings. For party divisions are so acute as to have drawn from Yuan Shih-kai a hortatory edict pointing out that "if parties maintain their own selfish ways and quarrel with each other without regard to the laws, the Republic will cease to exist." The defect is less in the personnel of the Cabinet, which comprises men of ability and experience, than in the divisions and dissensions within and without that paralyze it. It may be otherwise when the great National Assembly, for which preparation is being made, comes to be elected (for the present Government, it must be remembered, is Provisional), and a decision will then be taken as to the form as well as the personnel: we shall have an expression, then, of a more considered national opinion; and the Government which that Assembly elects may derive from a more representative vote an authority which the present evidently does not possess. The party divisions which have taken the place of the old official intrigues may then be composed, the South lie down with the North, and all unite in patriotic endeavor to promote the greatness which Young China delights to affirm. But that millennium is not yet. It is said that Yuan has been advised to declare a military dictatorship in order to dominate the influences which make for disintegration; and a letter addressed by him to the Vice-President disclaiming any such intention may suggest that there was truth in the rumor. It would be gratifying to think that Dr. Morrison's appointment indicates the attainment of a certain ascendancy by less heroic means; for it is the revival of a project which was defeated by Yuan's dismissal in 1908, and is reported to herald the enlistment of further foreign advice. Still we cannot but recur to the proposition that it is not advice alone which is needed, but supervision and control on the lines of the Imperial Maritime Customs, which remains a solitary model of efficient financial administration, as the Foreign Settlements have remained uncopied models of municipal administration, during the half century that they have offered themselves for imitation. The reforms now in request have been advocated for years. "There is no insuperable reason why a Foreign Revenue Commissioner should not be stationed alongside a Provincial Treasurer as well as alongside a Superintendent of Customs; and it is only by the application of the same principle of liberal salaries and exact accounts which has made the Maritime Customs a model service that reform can possibly be evolved out of the methods which constitute China at present a happy hunting ground for an unscrupulous bureaucracy." The sentence occurs in a work ("China Present and Past") which was published in 1895. There is no more reason to-day than there was then, except that the bureaucracy of to-day continues to object. The strongest hope of overcoming that objection lies in the determined use, for China's own benefit, of the lever which the necessities of the situation have placed in foreign hands. There is, we believe, more willingness among Chinese men of business who realize the position to accept foreign supervision than might be inferred from the attitude of a bureaucracy which has changed its clothes, and in some measure its personnel, without apparently changing its aspirations, or ceasing to regard office as the great opportunity of the day.

R. S. G.

RUSSIAN PORTS IN THE FAR EAST.

The Russian central government is paying more and more attention to the needs of its Far Eastern ports, more especially Vladivostok. According to the St. Petersburg correspondent of the *"Dalyokaya Okraina"* of Vladivostok, out of a total of Rls. 90,000,000 assigned for the improvement of the ports of the Empire, more than six millions are to be appropriated on account of the ports of the Far East, while of this sum something like Rls. 4,900,000 will be employed in restoring to order the commercial port of Vladivostok, which at present is in a highly unsatisfactory state.

Work will be carried on in accordance with a project drafted by Engineer Treninkhin, who is said to have done a good deal for Vladivostok in more ways than one. The first concern of the authorities will be to equip the port on the bay of the Golden Horn (Zolotoi Rog), whereafter, in all probability, the commercial port will be transferred to the Amur Bay, either to the bazaar, or, as is more likely, to the shore strip between the First and Second Rivers. This question, however, is one of the more or less distant future, and meanwhile the naval port will not only cease to expand, but will even, so it is said, be forced to yield part of the shore strip and one of the docks to the commercial port.

This prospect is very gratifying to the commercial community of the Russian port inasmuch as under present conditions very expensive structures belonging to the State are lying idle and are gradually going to rack and ruin, whereas the commercial fleet might make use of them and pay revenue to the State.

First of all attention will be paid to the extension of mooring accommodation, for which purpose it is proposed to construct two moles from the city park and one at Tgersheldt. The roads giving access to these moles will be either paved or macadamized, and it is probable that the municipal warehouse at present standing on the shore will be removed. An elevator will be built for the storage of grain in transit. On the other shore of the harbor will be built special refrigerators for the receipt and preservation of fresh fish. All these undertakings are to be carried out in the course of five years.

Of the other ports of the Far East one and a half million roubles have been allotted to the equipment of the port of Nikolaievsk, and it has been recognized as essential to cut a ship canal there as was done for St. Petersburg, thanks to which the largest vessels can sail up the Neva. The digging of such a canal is said to be important not only for Nikolaievsk, but also for Khabarovsk, which can then be easily converted into a sea-port.

It is also highly interesting to hear that attention has also been paid to the advisability of improving the ports at Petrapavlvsk in Kamchatka and on Saghalien, but unfortunately no special appropriations have yet been granted for this purpose. During the current season, however, a wireless telegraph station will be established at Anadir.

Of the urgent character of the work it is possible to judge from the fact that on March 12 (Old Style) an Imperial Rescript was issued appointing M.M. Kousmin-Zolotareff chief controller, which N. N. Shamonin was named as his assistant.

THE FATE OF MONGOLIA.

Russia, writes "N. Sh." in the *"Harbin Vyestnik,"* is apparently destined to come into conflict over Mongolia not so much with China as with Japan. The government of the Urga Khanate is conversant with the disposition of the Eastern Mongolians, who understand the weakness of their tie with Khalka and recognize the absence of all hope of Russian protection which had been promised to Khalka. The union of these Mongolian principalities with the Urga Khanate is therefore regarded by both sides merely as a temporary form of political being; a permanent form has not yet been devised, but one is already in view.

Seeing in Japan a mighty neighbor, who, in the most lively fashion, is interested in the fate of East Mongolia, the Khan hastened to throw a bridge from Urga to Tokio in the shape of the appointment of a Mongolian vassal loyal to the Japanese as viceroy of the southern principalities newly annexed to the Khanate. But still earlier the Khan government existed in constant relation with the Japanese. Those relations continue now, growing, as we are informed from Urga, all the time more and more animated and sincere.

Bit by bit is being made clear a consistently organized plan of action which, from many indications, it has been decided to begin to carry into effect. Taking advantage of the temporary military and financial helplessness of China and taking their stand upon the recent Russian warning to the Peking Government as to the inadmissibility of military expeditions to Mongolia, the Mongolians and the Japanese conceived the idea of gradually wresting from China the whole of East Mongolia by means of the nominal annexation of the same for the time being to the Khalka Khanate. In Kalgan the Japanese are laboring with special energy in the said direction. When this process is completed, then East Mongolia with the consent of the Urga Khan will elect an independent ruler, who must conclude a firm alliance "for all time" with the Urga Khan. Then, continues the *"Vyestnik,"* the new Khanate will formally appeal to Japan for guarantee of its independence from China, specifying as a condition the establishment of the same form of protectorate as will be established by Russia in connection with North Mongolia.

It is superfluous to say that such plans are feasible only on the basis of entire harmony of views between Japan and Russia over the Mongolian question, since the casting vote will belong of course to those two Powers, and not to the Mongolian Khans who are passionately seeking for the best form of political organization for their people, but are powerless to do anything independently. In the statement of the Ministry of Foreign Affairs offered to the Duma by Mr. Sassonoff a passing reference was made to the serious interest of Japan in the fate of South Mongolia. This means that our diplomatic department is already to some extent prepared for that which may happen, according to our information, very soon.

In Peking as yet seemingly there is no clear conception of the course of events in Mongolia. We say this on the basis of the fact that not long ago the President of the

Chinese Republic confirmed the report of the Chao Erhsen, concerning the expropriation of spacious lands in the principality of Darkhan-Van for Chinese colonization. This principality, as is known, is situated within the sphere of Japan's undisputed influence and is regarded as one of the richest, since excellent pasturage affords the Mongolians there the opportunity of having enormous herds of cattle. The decision of the Chinese to lay hands on it therefore resembles an open challenge flung at Japan.

HIGH EXCHANGE IN CHINA.

[From Consul General George E. Anderson, Hongkong.]

The manner in which Chinese foreign trade in recent years has depended greatly on the exchange value of silver has been indicated in various articles in Daily Consular and Trade Reports, and is becoming recognized to a greater extent by the exporters and importers of the United States. It is of unusual present importance, being generally recognized by all trade authorities in the Far East that the high exchange value of silver since last fall, and particularly notable during the first half of 1912, marks the beginning of a high exchange period in the Orient which is likely to continue for some time, probably several years.

While there is no certainty about any such matter, and exchange may fall at any time, it is generally considered that the revolution in China and demand for cash payments following restricted credits, have led to an increased demand for silver which in itself will raise its price in exchange above what it has been for several years. The necessity for funds in China for establishing the new régime and effecting some pressing reforms (which has been the subject of tentative arrangement between foreign financiers and the Chinese Government) creates an additional demand for silver in reforming the currency system. Elements in the increased demand for silver being so many and varied all Eastern authorities agree that exchange will be high for some time—the only question being how high.

Bankers in Hongkong generally agree that there will be at least a "two-shilling dollar"—a Hongkong dollar at 48 cents gold or more. The general influence of this movement on trade may be realized by the fact that in 1906, when the average value of the haikwan (or customs) tael in China was 80 cents gold imports of China were valued at $328,216,066 and exports only $139,165,391, while in 1909, when the tael was at 63 cents gold, imports were valued at only $263,439,582 while exports advanced to $213,565,473.

Present general trade prospects in China, therefore, indicate increased Chinese imports and decreased Chinese exports. This has already been exemplified somewhat in trade for the first half of 1912, although local and temporary conditions have led to some modification of the general movement. For example, interference with trade during the first months of this year, caused by lack of protection for valuable cargo passing into the interior and restriction of general credits following the disorders caused less import trade than would have developed otherwise. Great quantities of foreign goods, American cottons among them, were ordered and brought into Chinese ports and Hongkong, but have been kept warehoused somewhat ever since because of the impossibility of selling them. The volume of such goods leaving Europe and the United States since the middle of the last calendar year has been such as to give American and European traders a false idea of actual trade conditions here. Local firms, loaded with these great stocks of goods, have complained loudly that European and American firms have crowded them by forwarding goods ordered with different conditions in view and the inability of Chinese middlemen to take goods off their hands under conditions which afforded them the necessary safety. At the opening of the year Shanghai had in warehouse about 35,000,000 taels or $22,750,000 gold worth of foreign goods more than usual at such season and Hongkong had probably more.

On the other hand, the necessity in many Chinese producing centers of realizing money for present needs without regard to ultimate profit, or often of actual cost, has led to somewhat greater volume of exports than might have been expected. Nevertheless, the present general movement is in the direction of restricted exports and expanded imports.

The matter of exchange has a direct bearing upon the nature of trade, particularly in imports. There are many classes of goods, known considerably in China, but which can not be imported and sold to the Chinese generally because they are too expensive. Such goods embrace particularly the better grade of foreign cotton goods, and many novelties. Cheapening of such goods in terms of silver in China, which is the actual result of high exchange value of silver, enables a vastly widening circle of Chinese consumers to afford such goods. Perhaps the more important result is an immediate improvement in quality of foreign goods purchased. High exchange in China generally works especially to the benefit of American cotton goods. The Chinese consumer generally can afford to buy the higher grade American goods and to an unusual extent does so. There is also an increase in use of luxuries. High exchange notably increases imports of jewelry, watches and clocks, foreign toilet articles, foreign clothing, foreign foodstuffs like flour, foreign hardware like enameled ware, tools, and the like; in short, most foreign goods which often are too expensive for the Chinese consumer. Goods of standard Chinese production and consumption, but often imported from abroad, such as sugar, rice, leather, and the like, are greatly affected.

While high exchange thus stimulates foreign imports, however, the country as a whole goes into debt for the goods, and a period of high exchange and high imports in China generally is followed by a marked and even disastrous reaction. The immense imports of American cotton goods into China during the high exchange period of 1905-1907 were followed by the collapse of 1908. In the long run it is doubtful whether periods of high exchange are not unfortunate in their effects upon Chinese import trade as a whole. There is strong reason to believe that periods of moderate to low exchange mean more general prosperity in China and a safer and more permanent foreign trade.

Present restriction of exports from China by high exchange is likely to be exceptionally marked because cost of production of nearly all standard Chinese goods is constantly appreciating. In matting, for example, while there may be abundant straw and other supplies, the higher cost of labor, its scarcity and increasing independence, all restrict trade, while decreasing prices for goods on the basis of the same level of price for the goods in the United States is taking the margin of sales here below the possibility of manufacture. In silk and tea and other commodities whose prices are fixed more or less by world demand and supply, the Chinese producer works at an increasing disadvantage as exchange rises, and, with the prospect of good supplies in both great staples in other countries where production is based upon a cost in gold, the disadvantage of the Chinese producer is becoming more and more marked.

For the American exporter the prospect is that the next year or two in China will be one of the increased demand for his goods, probably followed by more or less of a collapse in trade, a time when present sales may be encouraged with a view of introducing American goods, but which should be looked after carefully as against possible future disaster. In particular it is strongly probable that the restoration of anything like normal conditions in China will witness a demand for American and other foreign cotton goods comparable to that of 1905-1907, which can be interfered with only by a high range of prices in the United States and other producing countries.

HSIUNG HSI LING.

With sixty thousand taels in the treasury at Peking, and thirty thousand at Nanking, the Republican Government assumed control of the destinies of the great Chinese nation. The Minister of Finance, Hsiung Hsi Ling accepted the difficult task of straightening out the tangled finances and providing funds to meet the urgent demands of the army and government. Confronted at the outset by a deadlock between the foreign bankers and the new government, arising from the signing of the Belgian Loan by the Premier on March 14th, five days after a firm option had been ceded to the International groups by the President, the task of the new Financial Minister was beset with great difficulty. From all parts of the republic telegraphic appeals and demands for funds poured in on the new Minister. The Commander-in-chief at Nanking, General Hwang Hsin, kept the wires hot with frantic appeals for cash to pay his troops or he would not be responsible for their behavior. The Governors and generals of all provinces emphasized the urgency of immediate remittances for the troops or imperative administration expenses. The small sums collected from taxation were disbursed as soon as received. The internal loan from which great things were expected was a failure. Even at 8 per cent. for five years, the Chinese refused to subscribe any large amounts at par, and officials were hastened abroad to sell the bonds to the Chinese of the Philippines, Straits Settlements, Java and elsewhere at a discount. In Shanghai $35,000 of the bonds was sold at 75, and there is reason to believe that anyone who would subscribe to a block of over a million could secure the bonds as low at 66. The only course left open to the Minister of Finance, was to raise foreign loans, and here he faced the deadlock created by the Premier of his cabinet. With no other alternative he accepted the situation and resumed negotiations with the Foreign banks and paved the way to a more friendly feeling. It was only natural that a clash between the Premier and Finance Minister should follow, and that both would tender their resignations and it is also natural that the President would refuse to accept them. The Premier held his ground against the monopoly of the International groups, with their stipulations as to auditing or control as a condition to loaning any large sum, and vigorously defended his action in negotiating with the Belgians. The groups maintained their position in refusing to advance further funds until the Belgian Loan was cancelled, and their terms were accepted. Any solution of the problem carried with it, a blow to the Premier's prestige, and recognition of the foreign demands.

Each day the situation throughout the republic was growing worse, and heroic efforts were made to satisfy the demands of the unpaid soldiery. Provincial loans were raised in several instances, to tide over the crisis, and the spectacle was presented of a government pleading on the one hand for funds to disband the army and return the soldiers to their homes to prevent disorders, and on the other, the provincial authorities raising loans on local revenues, conditional in purchasing war material from the lenders to the full extent of the loan during the next five years.

It required a man of tact and judgment to break the deadlock, and relieve the situation.

Hsiung Hsi Ling is deserving of great credit of taking on his own shoulders the task of smoothing over a situation, which might have plunged the country into another period of turmoil and unrest, had the policy of the Premier carried through. Somebody had to cede, and Hsiung reopened negotiations with the International bankers, and was successful in securing several advance payments pending the acceptance of final terms. Had the Minister of Finance been permitted to administer his office without interference there is every reason to believe that satisfactory final terms would have been agreed upon, but no sooner was the advances of the foreign banks paid over, when a campaign against foreign loans was started throughout the republic.

Those who were most persistent in telegraphing demands for funds in order to avoid a revolt of the soldiery, turned around and telegraphed vehement messages charging the Finance Minister with selling the country to the foreigners.

His efforts were misunderstood and misjudged. His life was menaced and he was condemned as a traitor, and his fellow provincials threatened to disown him and destroy his ancestral tombs. Hsiung handed in his resignation again, and addressed an open letter to the country, in which he laid bare the inner secrets of the financial situation. A more gloomy document is hard to imagine.

The foreign financiers who were willing to treat with Hsiung maintained that supervision of the expenditure of any loan, must be a condition to advancing the funds, and that during the life of the loan, no other loans should be raised from other parties, and that the loan should not be employed for national defence or enterprises in Manchuria or Mongolia. Negotiations have been dragging along from day to day, without reaching any conclusion, the Chinese holding out against any interference in the expenditure of the funds, and the groups as firmly insisting on this clause.—*The Far Eastern Review.*

SZECHUEN.

By Rev. Dr. Joseph Beech.

It is a long cry from America to Szechuen the capitals of which are almost exactly on opposite sides of the Globe, but the people of Szechuen know of America and are ever ready to say something good about it, while it is a safe conjecture that very few Americans know what Szechuen is, even when spelled Sschuan, and they chiefly regard it as an inaccessible region and an unpronounceable combination of consonants.

From an American commercial standpoint Szechuen might be interpreted as the land of promise and lost opportunity. The initial modern institution undertaken by the government of Szechuen was the establishment of the provincial mint for the erection of which they secured an American engineer and supplied it with American machinery. The follow-up was left for England and Germany with the result that they have entered into our inheritance and supplied nearly all subsequent machinery and supplies, with the exception of copper. A former manager, a returned American student, called my attention to the good work the American machines were still doing, a proof that the trouble is not with the machines. The next great enterprise was the building and equipping of the arsenal and for this also they turned to America, sending an official there with power to secure engineers and place contracts for the required machinery. San Francisco was mistaking Chinese officials for coolies at that time and the Szechuen representatives not wishing to run the gauntlet were headed for Germany where the contracts were placed. Chengtu now has one of the best equipped arsenals in the empire and the nation that has built it, directed and supplied it, has secured a commercial advantage from which it will be difficult to displace them. The government printing establishment was supplied from Japan, the electric light plants and government brick works bear the mark of Germany and England, French engineers are constructing the first great steel bridge on the Tibetan road, and European and Japanese are overwhelmingly in evidence in the foreign shops. Americans and returned American students teach in the colleges and universities and create a desire for Western things which British, French, German, and Japanese commercial enterprise supplies. If we except American oil and copper, which come without pushing, there are few if any evidences of increasing American commercial enterprise in the constantly augmenting foreign imports which in 1911 paid entrance duty to the amount of Hk. taels 21,465,166. Not one American business concern or business agent can be found in the province, and despite the repeated requests of Americans residing there, consuls have not been appointed for more than four of the past twelve years. If we except the missionaries who number about eighty men and women and the teachers in government colleges, the attitude of America toward Szechuen seems to be, "The Open Door" for others and an Empty House for Americans and American products, and this, in the face of opportunities as promising as the entire Empire of Japan.

With its territory nearly the size of Texas and population about as large as that of Germany, made from a fusing of the natives of the West with the hardier elements from the other provinces, from which it is separated by a series of mountains, Szechuen deserves to be considered as a nation in itself and not regarded as a remote and unimportant outpost of the Chinese Empire. Sir Alexander Hosie, the British official best qualified to judge, endorses the statement of another that, "It is a province whose wealth and resources are unrivalled in any quarter of the Globe." Professor E. A. Ross, in his recent book, "The Changing Chinese," describes its civilization as being in advance of the coast cities that have had intercourse with the West for two generations; and of its people, he says, "Their fires are banked and we shall never know what they can do till the dampers of their energy are opened." Events have moved rapidly since those words were written. The dampers have been drawn and a revolution precipitated that has removed the dead hand of the Manchu ruler and started the province on an era of development that cannot be paralleled in any other part of the Empire and which will make Szechuen the sources of its greatest wealth as it is now the sources of its great system of rivers. The fields in which the greatest material advances are possible under the new government are—

Electric Power: The water power at the Northern end of the Chengtu Plain, described as the most populous section of the Globe, offers one of the finest opportunities in the world for a system of electric railway lines and electric plants in the cities scattered over the plain. The government are aware of the possibilities and have initiated a movement looking to the creation of a company to begin the work. In other parts of the province water power is ready to be harnessed for service, and coal crops out nearly everywhere which sells at the pits for about $1.00 Mex. a ton. This makes possible a network of electric lines admirably adapted to the character of the country and the needs of the teeming multitudes of people. They can compete successfully with the cheap manpower now used and will foster innumerable industries which are now confined to the local community through lack of transportation facilities.

Steam Railroads: The Hankow-Chengtu line, the Chungking-Chengtu line, and the Yunnan-Chungking line are at present on the map of railways begun and projected, and the Chengtu-Sianfu line is marked as a possibility. But this is not all for the spurs coming up from Burmah to Myitkyimi and Sadiya are headed for Szechuen and only await the day of opportunity to tap the trade of China at the rear and open new markets by way of Mandalay. The French line from Annam to Yunnanfu, with the proposed extension to Chungking will hasten the construction of the Burmah line unless the status quo loses its magic. The Tibetan military operations carried on from Szechuen have already shown the necessity of a line to Tibet and in spite of the certain financial loss this is the line most talked of, as sure to be built, in order that China may keep its hold on Tibet, and Chinese Turkestan. The roads building and proposed will give Szechuen the needed outlet to the markets of the world and make its

population, now the richest in China, able to supply themselves with the best the world affords.

Salt, Gas, Oil: Captain Gill's enquiries led him to state that the annual revenue from the salt industry was $10,000,000, gold. which means an output of 237,964 tons. Enormous as this seems it is probably within the facts as the industry extends nearly the entire length of the province and employs many thousands of men. At Tsiliukin, the richest section, wells are bored to a depth of 2,000 feet, the brine being pulled up in bamboo buckets by means of a rope passing over a large drum which is turned by buffaloes running at a speed that causes a continuous slaughter of the animals. Natural Gas is abundant and flows out at many points along the salt region where the only use made of it is in evaporating the brine. In some sections light petroleum in small quantities is found along the salt belt. The presence of some oil and plenty of gas argues well for an outflow of oil with a more perfect prospecting as at present nearly all the borings stop at the brine levels. This section should be the paradise of the gas engine man, and with his coming this industry will be revolutionized and yield salt for the millions of other provinces and lift the present lordly owners to the millionaire class. The buffalo, at least, longs for the dawn of that day. When manufacturing in a modern way begins this gas country will have its share of the industries of the Empire.

Minerals, paper, silk, wool, agriculture: Iron of a fine quality is abundant and copper and lead are found in considerable quantity. Imperfect smelting calls for the importation of the foreign product, especially copper, but with the establishment of modern smelting works, which railways will hasten, the industries that come with iron iron age will constitute one of Szechuen's best assets. Already a great producer of silk and paper, a rich future awaits these industries when modern methods and machinery are applied to them. The highlands of West Szechuen, now the grazing ground of the Yak, offers one of the few centers for the raising of wool which the revolution in clothes demands. Looms and the textile industry will follow, but until then, Szechuen, which now takes 1/5 of the wool and 1/10 of the cotton that enters Shanghai (despite the added cost of $17, gold, freight from Ichang and 2½% ad valorem duty additional at Chungking) will continue to be the best market in China for cotton and woollen goods.

The province is one great garden in which anything will grow and where famines are unknown. With the importation of fruit trees and seeds it can be made the experiment station for the empire and extend its area of cultivation to support a population of fully one hundred million people.

With order and confidence restored an era of prosperity and development is sure to begin. The new government, with the exception of the Chengtu robbery, has encountered no serious setback and is daily getting a firmer hold of the situation. The younger element are pro American in their sympathies and will naturally look to America for assistance in the development of their country, which, if America did but realize it, is its day of opportunity.

If American big business could have a bit of the faith that the Missionary Societies have, willing to sow before they reap and not bank too much on immediate returns, they could render noble service to a great community in assisting it to a higher level of commercial and industrial development and improved social life, and at the same time create an expanding and lasting demand for things and ideals American.—*Journal of the American Association of China.*

FILIPINO LABOR AND THE MINING INDUSTRY.

Under the caption "Is cheap Labor Economical?" C. M. Eye formerly superintendent of the Benguet Consolidated Mining Co. and later in the same capacity with the Colorado Mining Co., has contributed an article to the Mining and Scientific Press, on the Filipino and his efficiency as a miner. Mr. Eye writes:—

"Having had nearly seven years of continuous experience with Filipino labor in connection with mining and milling in the Philippine Islands, I venture to offer the following remarks regarding its efficiency and possibilities, in response to the invitation extended in your editorial on cheap labor. I quite agree with Wickham Quinian that the mass of untrained Filipinos are essentially children, and that they have the possibility inherent in them of becoming good workmen. In lines requiring manual dexterity they rapidly become efficient under proper supervision.

"Practically all of my experience has been with the Filipino of the provinces. During the early days there were practically no natives outside of Manila that had any training in mining work, as, previous to the American occupation, very little mining had been done in the Islands. The use of powder in mining was practically unknown, except in a limited way in the Camarines. In the Benguet district the Igorotes had 'gophered' for many years. When the Americans came, the Igorotes were employed (and are still) in prospecting and assessment work, their pay being 50c. conant per day and 'chow.' When given contracts for assessment work they were paid from p.5 to p.7 per chipa (this being the span from finger-tip to finger-tip of a fair-sized native). I have had drifts in rock hard enough to stand up safely, but not requiring powder, dirven for p.80 for the first 100 ft. When it came to regular operations, the Igorotes were found to be too undependable, however, and it became necessary to bring in Filipinos from the neighboring coast provinces of Pangasanan, La Union, and others. Some of these had had previous experience in powder and rock work on the Benguet road, and quickly became fairly good miners. They brought their families along, and settled down at the mines, and proved to be steady and reliable. When there was any scarcity in labor, these people sent for their friends and relatives, so the supply was kept up, and I can only say that after the first importation there were never any but temporary shortages in labor while I was in this district. The wages paid (p.1 per day with rations, or p.1.20 without) proved sufficiently attractive to bring the best class of labor from the lowlands to the mines.

"One mine in this district employed a few experienced Japanese miners to good advantage, using them mostly as timbermen and hard rock men, and paying them from p.2 to p.2.50 per day. Native timbermen were paid p.1.20 per day with 'chow,' and capitases p.1.40 to p.1.50. Since I left here two years ago, the rates have gone up about 20c. conant all around, but are not high, considering that the men receiving them have become more experienced.

The rates paid in the Camarines have, I believe, been somewhat higher than those given above, but the grade of the labor there was better to begin with. In the Aroroy district, Island of Masbate, the base rate for miners is a peso per day, without chow; that of common labor being 80c. conant: timbermen receive p.1.20 and capitases p.1.50 without chow. The efficiency of the labor there is not nearly so high as in Benguet, owing largely to the fact that it is recruited mostly from the Visayans of the surrounding country, and partly to difference in climatic conditions. The best men in that district have been brought in from Benguet and the Camarines. These imported men come to mine, and have no other interests to interfere. The local laborer works at the mines at times when crops have been planted and fishing is poor, or when he needs a little ready money.

"I have found, both in Benguet and Aroroy, that one of the best incentives to work for the native is to run a well stocked company store where he can get rid of his money and at the same time get something that adds to his comfort and welfare—in other words, to increase his wants by providing what he needs. When the native once gets a start he is very fond of good clothes, and will buy the best. It has often been remarked in Baguio that a man who has been at the mines very long can be picked out by the superiority of his dress. A tailor was employed in connection with the company store at one mine in the district.

"It is a very difficult matter to establish any exact ratio of efficiency between men of different races working under such different conditions as exist here and at home, but I shall nevertheless try to fix such approximate ratios as appear to me to exist, using that of an average miner in the West as 100%. On this basis, I would regard that of a native miner in Benguet, after having had six months' experience, at 33⅓% and that of a miner of similar experience at Aroroy at 25%. In timber work, their percentages would drop somewhat, owing to lack of previous training of the natives and their comparatively small stature (average height being about 5 ft. 4 in., weight about 130 lb.). The efficiency of a common laborer in Benguet I would put at 25% and in Aroroy at 20%. In all cases, it must be understood that the labor has proper and capable supervision, and that no comparison is attempted between the native and the white working under the same conditions. The white man could not do the work of a native in this climate and stand up under it, so it is fortunate that it is not necessary.

"In milling work, where quickness and dexterity come more into play, I have found that native boys break in quickly, and in this work I would place the relative efficiency at 40% as compared with the average mill-hand without special training. For this work the smaller and younger men are the best, being more alert. It is necessary to avoid giving each boy too much to look after and to have good supervision to keep them up to the mark. Granting these, I would as soon operate with a good bunch of native boys as the average lot of millmen of equivalent experience at home. When it comes to lines requiring special mechanical training, it is yet necessary to draw on Manila. Good native machinists can be hired for provincial work from p.75 to p.90 per month, and in efficiency the work of these men would be from 40 to 50% of that of white machinists. Engineers get from p.50 to p.60 per month, and firemen from p.35 to p.40, all without chow. The efficiency of the latter is about the same as with machinists.

"The general conclusion may be drawn with respect to labor in these Islands that the efficiency increases with proper training faster than the rate of wages. This makes the outlook, with a liberal supply of raw material to draw upon, very promising, provided that the people are not misled by agitators. I regard the policy of the present Government in providing liberally for the education of the native, especially in industrial lines a very wise one. It has been my experience that the boys who have been to school and speak English are quicker to learn and more ambitious than those fresh from the bosque. For timber construction and minetimber framing I have always employed Japanese carpenters, for the reason that they are very efficient and accurate. The Filipino is as yet lacking in skill in carpentering and smithing, but the schools are giving instruction along these lines, and the natives working with the Japanese as helpers are learning slowly, so it may be possible to eliminate the Japanese carpenter after a while, except for the finer work on construction.

"Altogether, the labor situation (upon which everything here depends) is not so bad as has been painted, and it will continue to improve, if those in charge of industries here will do the right thing and make the necessary effort to improve the quality of the work and look out for the personal welfare of their employees. Nowhere is scientific management more necessary."

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The Chinese Loan question assumes a different phase every day, and the news items reproduced in this number of the Journal have already been supplemented by others, as for example these: "A. Wendell Jackson, the moving spirit in the $50,000,000 'independent' Chinese loan is fully satisfied with the results of the appeal to the British public. Mr. Jackson said the second half of the $50,000,000 was as secure as the first issue, remarking that the promoters already had it in 'their breeches' pockets.' He intimated that the loan was part of a total of $250,000,000 to be issued by the present underwriters." To help unravel a somewhat tangled skein, the fact may be recalled that on the date when the new-born Republican government—hard pressed for funds—was about to close a deal with Japan by signing a preliminary loan agreement for the control of the properties of the China Merchants' Steam Navigation Company, the Premier of the new Government, Tang Shao-yi arrived at Peking from Nanking, and on February 27 requested the representatives of the Four Power Groups to advance the necessary funds to finance the government by a series of weekly installments until the details of a general reconstruction loan could be arranged. On the following day the manager of the Hongkong and Shanghai Bank at Shanghai received telegraphic instructions from the Groups to advance Tls. 2,000,000 to President Sun at Nanking, which order was duly carried out. The payment of a similar sum to President Yuan at Peking was delayed by the mutiny of February 29, followed by the looting and burning of Peking by Yuan's own Honan troops, by the spreading of the revolt to Tientsin and Paotingfu and by the consequent apprehension that the provisional government in the North was about to fall to pieces.

From their own point of view, the financial groups were doubtless justified in failing to comply with their agreement of February 27 to advance money to Yuan, until order had been restored and further advices received from their respective governments. It is admitted that Yuan again approached the bankers on March 2 with an appeal for funds, but it was not until March 9 that the first advance of Tls. 1,100,000 was made to him under an exchange of official letters of that date which assured to the Groups a firm option of financing the monthly requirements of the Chinese Government, as also a firm option on the reorganization loan of £60,000,000. On March 11, Premier Tang asked from the Groups a further advance of Tls. 5,000,000 for Hankow, confirming the impression that he continued to look to them to furnish

the entire monthly requirements of the Government. But before this could be paid over the representatives of the Groups received definite information that the Premier had been negotiating with a Russo-Belgian syndicate for an independent loan, and, despite protest, the Premier signed the agreement for this loan on March 14, subject to confirmation by the National Assembly at Nanking. The loan was for £1,000,000 at 5% issued at 97 and redeemable in twelve months at par. Quite oblivious of the fact that a preferential right to future loans had already been granted to the Four Power Groups, the Russo-Belgian agreement contained the proviso that "if any future loan be raised by China and the conditions of the said (Sino Belgian) Bank be the same as those of the others, the Government of China will order the said Bank to undertake a new loan."

THE circular of the American Group of bankers, elsewhere reproduced, therefore puts the case very mildly when it says that in spite of the absence of any stable central government and of the further fact that China had defaulted in the service of several loans, the Groups, re-enforced by the adhesion of Russian and Japanese bankers, were willing to finance the requirements of the Chinese Government under conditions which they and their Governments believed calculated to restore Chinese credit and upbuild the newly organized Republican Government, while also protecting the prospective purchasers of Chinese bonds. The three main conditions were that the purposes for which the funds were required should be stated by the Chinese and approved by the Groups; that China should adopt a system of audit calculated to insure the effective expenditure of loan funds for the purposes specified, and that the salt taxes to be hypothecated for the service of the loan should be administered either by the existing organization of the Maritime Customs or by a similar service under foreign direction. Between the end of February and the middle of June the Groups had advanced a total of about $9,000,000, to meet the pressing needs of the Peking administration. But the conditions on which the Groups were prepared to make the proposed loan were declined by the Chinese Government solely because of the safeguards required to insure the proper expenditure of the funds and the effective collection of the security offered.

To the outside observer, believing in the future of the Great Republic of China, and convinced that the preservation of its integrity is indispensable to the maintenance of the world's peace, the attitude of the Chinese toward the loan question must be a subject of regret. Making all possible allowance for the natural desire of Yuan Shih-kai and his associates to disarm hostile criticism in the provinces and to keep in agreement with the views on this subject of Dr. Sun Yat Sen and his party, the stubborn fact remains that, on their own avowal, China needs a great deal more money than she is likely to get without conceding a certain amount of foreign supervision over its expenditure. That Dr. Sun should be advocating in one breath the provision of a comprehensive and unified system of national railways for China to be built by foreign capital, and in the next should declare his inability to see that there ought to be supervision of any sort over the purposes for which the money borrowed on the security of the Republican government is expended, may be characteristic of a reformer unversed in practical affairs. But there is no lack of business shrewdness either in public or private station in China, and the opposition to the foreign audit of loan expenditures or foreign supervision over the salt tax pledged for loan redemption, is so purely sentimental as to preclude the idea that it is prompted by the dictates of national common sense. For, not only is it a vital necessity to China that she should be able to borrow on a sufficiently large scale to insure the reform of her currency, the reorganization of her finances, and the construction of at least 50,000 miles of railway, but it is highly important, in her own interest, that there should be concerted action and a uniform policy among the Powers whose nationals are the actual or nominal lenders of the money. Nothing more unfortunate could happen for China than that the Six Powers who have given their sanction to the terms under which the bankers shall lend her money to the amount, if necessary, of $300,000,000, should cease to act as a unit and should become divided into two or three groups each following what it conceives to be its own special interests. This is not a case where the traditional Chinese policy of playing one Power against another is likely to contribute to China's safety against foreign interference. On the contrary no shorter way to a process of gradual dismemberment could be found than in leaving the selfish ambitions of China's powerful neighbors untrammelled by the common understanding that the territorial integrity of the Republic is to be honestly respected.

THE announcement has been made that Dr. Chen Chin-tao who was Finance Minister in Yuan's first Cabinet, and who is now in this country in attendance on the International Congress of Chambers of Commerce, has been appointed head of the new Department of Audit at Peking. It is also stated that the Auditor-General has received Cabinet rank, so that he may attend the Councils, and that a special salt gabelle department has been added to the Ministry of Finance as a preliminary to the reorganization of the system of salt taxation. This is evidently the reply of the Provisional Government to the insistence of the foreign bankers on a system of audit and on foreign supervision of the collection of the salt tax. It will be conceded that no man of higher character and ability than Dr. Chen could have been found to occupy the newly created position and organize the new department. But it is not probable that the representatives of the foreign syndicates represented in the Six Power Groups will feel moved to recommend their principals to accept this arrangement in lieu of the conditions for which they have steadfastly contended.

Exports of Domestic Cotton Cloths, Mineral Oils, and Wheat Flour from the United States to China and Hongkong, during the twelve months, ending June 30, 1911 and 1912.

EXPORTS TO CHINA.

Months.	Cotton Cloths. Yards.		Mineral Oils (illuminating). Gallons.		Wheat Flour. Barrels.	
1910.						
July	10,897,533	$727,329	5,392,690	$323,424	638	$2,576
August	9,582,788	563,587	14,052,380	888,045	2,643	11,823
September	4,226,655	263,334	7,130,000	314,745	1,333	5,144
October	951,800	56,682	8,044,160	493,021	452	1,894
November	1,018,400	90,740	5,048,550	298,529	3,691	14,533
December	3,294,806	227,245	7,996,752	583,235	5,308	20,650
1911						
January	5,667,644	390,359	3,915,380	180,847	58,188	210,766
February	3,854,800	222,309	4,423,824	210,643	124,428	456,055
March	7,857,697	486,439	13,340,540	797,484	34,372	131,013
April	6,549,116	444,472	13,889,920	872,772	49,158	185,742
May	12,837,965	860,882	13,275,702	902,967	11,880	46,483
June	14,000,083	960,016	10,657,551	778,634	645	2,579
Total	80,739,542	$5,293,394	107,167,449	$6,644,346	292,738	$1,089,258
July	11,063,600	$788,798	15,882,570	$1,148,524	1,631	$6,490
August	8,680,440	625,749	7,827,602	537,398	21,926	79,752
September	7,671,189	581,168	7,857,040	572,253	61,783	237,040
October	6,901,562	484,934	5,660,580	406,178	55,750	216,175
November	12,544,616	877,394	.....	.....	67,470	266,515
December	12,534,270	844,814	4,040,070	282,039	55,850	217,338
1912.						
January	4,495,875	307,086	5,131,900	373,671	69,413	267,876
February	12,794,458	851,566	.....	.....	179,820	697,139
March	8,654,853	525,061	1,928,030	146,341	152,666	614,302
April	11,730,726	752,094	1,000,000	74,000	35,925	138,777
May	5,168,266	332,613	10,782,250	737,643	29,850	117,542
June	6,175,605	400,681	8,054,955	546,361	9,108	36,340
Total	108,415,469	$7,371,958	68,164,997	$4,824,408	741,192	$2,895,286

EXPORTS TO HONGKONG.

1910						
July	51,982	$8,126	1,757	$189	58,169	$242,814
August	19,350	2,558	1,748,039	130,973	54,231	217,046
September	6,550	707	.....	.....	20,289	84,794
October	18,047	4,639	.....	.....	92,673	371,287
November	5,391	819	1,585,000	114,460	61,840	236,943
December	18,821	2,616	191,230	13,099	203,005	798,776
1911						
January	42,917	7,104	1,742,440	142,425	108,727	452,872
February	32,540	2,563	1,714,910	124,331	117,230	453,343
March	29,750	2,033	617,856	60,649	62,649	242,714
April	28,361	5,043	3,095,570	222,167	41,907	164,382
May	56,396	10,924	1,303,000	96,568	91,348	365,586
June	84,834	14,208	75,000	5,625	48,398	183,382
Total	394,939	$61,340	12,074,776	$910,693	1,003,529	$3,946,029
July	73,151	$10,412	.....	.....	72,283	$281,302
August	55,621	10,166	1,539,170	$115,438	73,571	287,511
September	49,832	7,889	2,040,000	151,980	85,937	333,803
October	44,343	7,410	830,000	81,956	251,607	993,047
November	35,212	3,509	2.455,000	184,827	143,919	550,437
December	187,236	20,889	2,677,000	195,421	234,502	915,396
1912						
January	57,814	7,253	.....	.....	94,456	380,186
February	110,352	15,039	1,263,540	92,833	106,985	410,863
March	5,131	1,127	1,636,000	67,076	148,716	561,253
April	185,580	27,022	.....	.....	85,420	343,600
May	85,993	12,953	500,000	44,175	80,569	326,750
June	156,283	23,451	1,854,000	160,065	113,108	451,152
Total	1,046,548	$147,620	14,794,710	$1,093,771	1,491,073	$5,840,299

DEPARTMENT OF COMMERCE AND LABOR,
Bureau of Statistics.

WASHINGTON, D. C., August 2, 1912.

Imports of Tea and Silk into the United States for the twelve months, ending June 30, 1910, 1911 and 1912.

TEA.	1910.		1911.		1912.	
Imported from	Pounds.	Dollars.	Pounds.	Dollars.	Pounds.	Dollars.
United Kingdom	8,235,698	2,054,454	10,661,552	2,831,824	12,887,949	3,538,200
Canada	2,237,649	517,062	3,003,742	754,873	2,558,583	734,769
China	28,043,171	3,275,343	25,148,048	2,951,628	17,605,670	2,260,949
East Indies	8,154,649	1,316,283	9,660,633	1,605,774	13,760,787	2,306,726
Japan	38,187,229	6,334,588	52,998,199	9,272,828	53,747,386	9,213,402
Other countries	767,974	174,216	1,181,768	196,642	846,441	153,095
Total	85,626,370	13,671,946	102,653,942	17,613,569	101,406,816	18,207,141

RAW, OR AS REELED FROM THE COCOON. SILK.						
Imported from	Pounds.	Dollars.	Pounds.	Dollars.	Pounds.	Dollars.
France	589,136	1,612,148	283,743	991,470	91,387	334,660
Italy	3,523,924	13,268,689	2,635,915	10,057,393	2,058,456	7,467,623
China	4,084,415	9,675,898	5,370,015	13,666,732	4,776,506	11,399,407
Japan	11,957,504	40,103,780	13,886,301	47,248,347	14,493,131	47,316,331
Other countries	208,348	764,269	204,024	750,042	190,040	655,361
Waste.....lbs...free..	3,045,235	1,690,393	4,122,226	2,210,020	4,892,986	2,317,217
Total unmanufactured	23,408,562	67,115,177	26,502,506	74,924,004	26,584,962	69,541,672

THE PANAMA CANAL AND TRANSCONTINENTAL TRAFFIC.

By EMORY R. JOHNSON

Special Commissioner on Panama Traffic and Tolls.

Shipments between the two seaboards of the United States may move by three water routes that compete with the rail lines connecting the two coasts, (1) the all-water route around South America via Cape Horn for sailing vessels and through the Straits of Magellan for steamers; (2) the route by way of Panama with the transfer of traffic by rail across the isthmus; and (3) the route via the Isthmus of Tehuantepec, across which, from Puerto Mexico on the Gulf to Salina Cruz on the Pacific, freight is handled by a railway owned by the Mexican government. The only railway controlling a thorough route between the Atlantic and Pacific seaboards is the Southern Pacific, which operates the Morgan line of steamers between New York and New Orleans and Galveston. The steamers of the Morgan line extend the Southern Pacific route from the Gulf termini of the railway to New York, and thus enable the Southern Pacific to compete both with the other trans-continental railways and with the inter-coastal water routes around South America and across the Isthmuses of Panama and Tehuantepec.

Table I shows the approximate tonnage of freight handled between our two seaboards via Cape Horn and the Straits of Magellan and by way of other routes during the six years from 1906 to 1911, inclusive. It will be seen that there was a sudden decline in this tonnage after the withdrawal of the American-Hawaiian line from the Magellan route, and that the volume of tonnage around South America has fluctuated largely during recent years.

For several years preceding 1910 the tonnage was small and tended to decline.

The Tehuantepec route was opened for traffic early in 1907, when the American-Hawaiian Steamship Company took its steamers off the route via the Straits of Magellan and established regular line services on the Atlantic between New York and Puerto Mexico and on the Pacific between Salina Cruz and Hawaii and the west coast ports of the United States. In 1906 it made an agreement with the Tehuantepec National Railway, which is owned by the Mexican government, stipulating that the railway company should receive one-third of the through rate. This agreement also included a guaranty on the part of the Tehuantepec National Railway that the net earnings of the steamship company, per ship ton, should not be less than the earnings had been in 1904, when the steamship company was operating by way of the Straits of Magellan. This guaranty, however, did not require

the Tehuantepec National Railway to reduce its share of the gross receipts of the steamship company to less than 25 per cent. The fleet of the American-Hawaiian Steamship Company increased from three steamers in 1899 to nine steamers in 1904, and to 17 in 1911. Five new steamers were ordered in 1911. The rapid growth in the traffic of the company has been made possible by the sugar tonnage from Hawaii to the eastern ports of the United States. The freight shipments westbound between our two seaboards are larger than those eastbound, but the exports of Hawaiian sugar have enabled the American-Hawaiian Steamship Company to run its steamers loaded in both directions. Indeed, the exports of sugar from Hawaii have been much larger than the American-Hawaiian Company could handle.

The volume of traffic handled between the Atlantic and Pacific ports of the United States by the several water routes, not including the Sunset-Gulf route, each year from 1906 to 1911, inclusive, is shown in detail in Table I. The total tons of freight, not including Hawaiian sugar, rose from less than 500,000 tons in 1906 to over 800,000 tons in 1911. If the tonnage of Hawaiian sugar be included, the increase during the six years in total traffic was from 560,000 to 1,104,000 cargo tons. The increase during the four years ending in 1911 was steady and rapid. The decline during 1907 and 1908 is to be accounted for mainly by the San Francisco earthquake and fire.

An important feature of Table I is the separation of total traffic into that handled by regular steamship lines and that carried by individual vessels owned or chartered by the shippers. The traffic handled by the regular lines more than trebled during the six-year period, while that carried by individual vessels decreased more than 50 per cent. In 1911, 82.8 per cent. of the entire traffic, other than Hawaiian sugar, was carried by the regular lines, whereas in 1906 only 42.1 per cent. was shipped by the established steamship lines.

The volume and variety of the traffic between the two seaboards of the United States have so expanded as to render the services of established steamship lines having regular and frequent sailings more economical than the services of individual vessels carrying full cargoes of single commodities. The traffic manager of the American-Hawaiian line stated to the Interstate Commerce Commission, on January 16, 1907, that:

"We carry practically everything. In the course of a year I think we have at least 90 per cent. of the articles that may be named in the transcontinental tariffs and a great many articles not on any tariff that are continually offered and carried."

The traffic carried by way of the Panama route also includes a large variety of commodities. The westbound freight tariff of the Panama Railroad Steamship Line requires 25 pages to enumerate the several articles upon which individual rates are quoted. The eastbound tariff of the California-Atlantic Steamship Company is a typewritten document of 20 pages.

The freight carried between our two seaboards by way of Panama and Tehuantepec originates and terminates not only at the Atlantic and Pacific ports, but also at interior points. Manifests of the shipments by the American-Hawaiian line enumerate commodities shipped from eastern New York, eastern Pennsylvania, Massachusetts, New Jersey, Vermont, Connecticut, Rhode Island, Maine; also commodities from Syracuse and Buffalo, N. Y., from numerous cities in Ohio, from certain cities in Michigan, and from Chicago, Milwaukee and St. Louis. These same manifests show that this freight is destined not only to Pacific coast ports, but to intard points, such as Sacramento, Stockton, The Dalles, Ore., Spokane and Everett, Wash., and Reno, Nev.

Most of the bulk cargoes handled in vessels owned or chartered by shippers now move by the disadvantageous routes around Cape Horn or through the Straits of Magellan. The opening of the Panama Canal will make it possible for the individual ship to engage in intercoastal traffic under much better conditions. It is not probable, however, that the percentage of the total traffic handled by individual vessels will increase in the future. It is more probable that the percentage of the entire business handled by lines will increase.

The lumber shippers from the Pacific coast through the canal will comprise a large tonnage, but the destination of most of the traffic will be Europe and not the eastern part of the United States, which will continue to be supplied mainly from the forests in the southern states. The southern pine and hardwood forests constitute the largest lumber-producing district in the United States at the present time.

The fact that most of the traffic through the canal between the two seaboards of the United States will be handled by regular steamship lines and that only a minor, and probably a decreasing, percentage of the total will be transported in individual vessels owned or chartered by shippers should be given careful attention in considering, (1) what the policy of the United States should be concerning the prohibition of the use of the canal by vessels controlled by railways, and (2) concerning the remission or omission of tolls upon vessels engaged in the coastwise business.

1. The policy of denying the use of the canal to vessels owned or controlled by, or affiliated with, railway companies is advocated by those who favor the policy mainly for two reasons, (a) that the competition between the railway controlled and the independent steamship lines will be disastrous to the independent lines, and (b) that the government regulation of the rates and services of ocean carriers is impracticable and undesirable. If coastwise traffic through the canal were to be handled mainly by individual vessels owned or chartered by shippers, government regulation would, indeed, be impracticable; but the service of steamship lines operating over established routes is not essentially different from the transportation service of the railways. Moreover, when several steamship lines operate over the same route or over competing routes, they have fixed schedules of rates established by agreement and their rate policy differs in no marked degree from that of competing railways. It is thus at least doubtful whether it is good

public policy not to regulate the rates and services of coastwise steamship lines. Whether such regulation is wise or unwise, it is at least not impracticable.

2. The question of exempting coastwise shipping from the payment of Panama Canal tolls should be decided with reference to the parties who would be benefited by the policy. If the tolls charged coastwise ships using the canal are added to the rate of freight paid by shippers, the remission of tolls will benefit the shippers and possibly, to some extent, the general public. On the other hand, if the freight rates are not any higher because of the tolls, the exemption of ships from the payment of tolls will not affect the freight rates, and the exemption of the payment of tolls will benefit the steamship company and not the shipper. Charter rates, as has just been stated, are highly competitive and the rates which a shipper must pay to secure the use of a vessel for a trip through the canal will undoubtedly be increased by the amount of tolls paid. Shippers using vessels which they own or charter will receive the benefit of the exemption of canal tolls. On the other hand, the rates charged by steamship lines, being regulated by agreements among competing companies and being fixed with reference to what the traffic will bear, will presumably be as high as traffic conditions warrant regardless of canal tolls. If the tolls are charged, the operating expenses of the steamship companies will be increased by the amount of the tolls and their net profits will be lessened by the same amount. In other words, free tolls will be a gratuity or a subsidy to the coastwise steamship lines.

The tonnage of transcontinental railway traffic cannot be accurately stated, because the railways in reporting their traffic do not distinguish between transcontinental and local freight. Estimates made by the traffic officials of the transcontinental lines in 1909 placed the total volume of westbound transcontinental tonnage moving by rail and water at approximately 3,000,000 tons. The westbound tonnage of the water lines that year was 313,558 tons. In round numbers therefore, 2,686,000 tons, or 85.5 per cent., moved westward by rail and 10.5 per cent. by water.

The total through and local traffic of the six leading transcontinental railways increased 11.2 per cent. from 1909 to 1911. That rate of growth would bring the westbound through transcontinental rail traffic up to about 2,987,000 tons in 1911. The tonnage moved westward coastwise in 1911 was 494,600 tons and the total westbound transcontinental rail-and-water tonnage aggregated about 3,481,600 tons. This would indicate that 85.8 per cent. of the total volume in 1911 moved by rail and 14.2 per cent. by water. The higher percentage of the total rail-and-water traffic carried by the water lines in 1911, as compared with 1909, is explained by the fact that during 1911 there was a slight decline in rail tonnage and a large gain in the traffic of the coast-to-coast water carriers, the tonnage of the six leading transcontinental railways decreasing 3.9 per cent., and that of all the railways in the United States, 3.7 per cent. The volume of westbound water traffic, however, was 24.9 per cent. in excess of what it was in 1910. During the two-year period, 1909-1911, there was a net increase of 11.2 per cent. in the total tonnage of the six leading transcontinental railways, but the gain during those years in the westbound tonnage of the coast-to-coast water lines was 57.7 per cent.

Several tabulations have been made to indicate roughly the origin of the westbound railway traffic. Table II shows the origin of the shipments to the Pacific Coast over one of the transcontinental lines during a period of four months. Only 22 per cent. of the through traffic of this line originated in "Atlantic coast and common point territory"; 35 per cent. came from points in the East, including Pittsburgh, Buffalo, and common points; 62 per cent. originated west of Pittsburgh-Buffalo common points, and 54 per cent. was shipped from the Chicago territory and points west of Chicago.

TABLE II—ORIGIN OF WESTBOUND RAIL SHIPMENTS TO PACIFIC COAST TERMINALS.

	Less than carload. Per c't.	Carload. Per. c't.	Total. per c't.
New York-Boston and common points..	39	19	22
Pittsburgh-Buffalo and common points.	8	14	13
Cincinnati-Detroit and common points.	12	8	8
Chicago and common points.....	16	16	16
Mississippi river and common points...	9	11	11
Missouri river and common points.....	10	25	23
Southeastern points	2	3	3
Colorado points	4	4	4
	100	100	100

This agrees substantially with the statement made by G. W. Luce, assistant to the vice-president of the Southern Pacific, before the Interstate Commerce Commission. He stated that not over 20 per cent. of the eastern traffic destined to the Pacific terminals originated east of Buffalo and Pittsburgh. Of this 20 per cent. he estimated that over half moved by water.

Various compilations were filed by the transcontinental railways with the Interstate Commerce Commission, at its request, during the hearings of the transcontinental rate cases, for the purpose of showing the origin of transcontinental traffic received at Spokane, Wash., and Reno, Nev. The percentage of freight for Spokane originating at or near the Atlantic seaboard was smaller than was true of the shipments to the Pacific coast terminals. Indeed, only 12.09 per cent. originated in "New York-Boston and common points," and but 5.82 per cent. in the Pittsburgh-Buffalo district. Four-fifths of the traffic originated west of Pittsburgh and Buffalo, and seven-tenths at Chicago and points west of Chicago. The Intermountain States of the West receive their supplies mainly from the Mississippi valley, and not from the Atlantic seaboard states. Only 24.48 per cent. of the traffic reaching Reno westbound originates east of Chicago.

The share of the traffic received at interior points, such as Spokane and Reno, originating east of Chicago, is now perhaps slightly larger than in 1906 to 1908, when

the railways began making blanket rates to these points on certain commodities. However, the interior towns receive a smaller share of their total receipts from the East than do the Pacific Coast terminals, because lower rates are generally maintained to the interior intermountain towns from the Central West than from the eastern part of the United States.

In considering the possible effect of the Panama canal upon the traffic of the transcontinental railways it is important to know the destination of the westbound rail traffic. A statement made by the Southern Pacific to the Interstate Commerce Commission showed that during the three years, 1906-7 to 1908-9, from 49.9 per cent. to 61.1 per cent. of the west bound traffic through the Ogden gateway was destined to the various Pacific coast terminals, and from 38.9 to 50.1 per cent. to non-terminal points.

The foregoing evidence tends to show that only a small portion of the westbound transcontinental traffic of the railways is strictly transcontinental in the sense that it moves between the seaboards. The different statements vary, but indicate that but 20 to 22 per cent. of this traffic originates east of Pittsburgh and Buffalo, and that but 50 to 55 per cent. is destined to Pacific Coast terminals.

No definite estimate has been made of the eastbound transcontinental traffic. It can hardly be in excess of the westbound tonnage and may be less. A greater volume of freight is shipped out of the Pacific Coast states than is received; but most of the traffic goes to foreign countries and to the Middle West, and not to the eastern part of the United States. The heaviest items of the outbound tonnage—lumber, grain and oil—are not sold largely in our eastern markets.

The water-borne traffic eastbound from our Pacific to our Atlantic ports in 1910 aggregated about 141,600 tons. In 1911, after the California-Atlantic Line had entered the field and the traffic of the Pacific Mail and American-Hawaiian had suddenly increased, the total was about 313,500 tons. If it be assumed that the total eastbound transcontinental traffic in 1910 and in 1911—by coastwise and by rail line—was 3,000,000 tons per annum, which was the amount of the westbound tonnage, the railway share would be 2,858,400 in 1910 and 2,686,500 in 1911. The tonnage of the transcontinental railways is known to have been somewhat less in 1911 than in 1910. Upon this assumption the railways carried nearly 95 per cent. of the eastbound transcontinental traffic in 1910, and 89.5 per cent. in 1911; and the share of the water carriers was respectively 5 per cent. and 10.5 per cent. It will be understood, however, that this is merely an assumption, made to indicate what may have been approximately true.

The percentage of traffic moving by water is less in the eastbound than in the westbound business, chiefly because fresh fruits and vegetables are not at present handled by the water carriers, and because some of the bulky commodities, such as lumber, do not find a ready market east of the Central West.

Westbound water-borne traffic originates throughout a comparatively wide area extending from the Atlantic seaboard to Chicago; but the nature of eastbound water-borne cargoes is such that they are not carried inland in large amounts from the eastern ports of destination. Shipments from the Pacific Coast to the Central West are almost entirely by rail.

The eastbound transcontinental railway traffic has not been classified by destinations, but it may be safely assumed that, as in the case of the westbound business, only the smaller portion is strictly transcontinental. From 20 to 22 per cent of the westbound tonnage originates east of Buffalo and Pittsburgh, but the percentage of the eastbound tonnage destined to points east of Buffalo and Pittsburgh is probably smaller.

The present rate systems of the transcontinental railways have been largely influenced by the rates charged by coastwise carriers.

(1) Blanket or common rates are charged on westbound transcontinental traffic from most points east of the Missouri river. This is true of both class and commodity tariffs, but there are numerous exceptions made to the general policy of blanketing rates from the territory east of the Missouri. Upon some commodities the rates eastbound from the Pacific coast are the same to all places east of the Missouri, and on more articles common rates prevail to places east of the Mississippi, but the blanketing of rates is less general upon eastbound than upon westbound shipments.

(2) Upon eastbound traffic, and to a less extent upon that toward the west, graded zone tariffs have been established. The places east of the Rocky mountains are classified in 10 "rate groups." Upon the higher classes of freight and upon numerous commodities the rates to all groups are the same, but upon the lower classes and upon most commodities the tariffs vary by rate groups. Class rates westbound are practically identical with those eastbound, i. e., graded for classes below the third; and in westbound commodity tariffs there are numerous instances of grading by groups, but this grading of commodity tariffs westbound is an exception to the more general rule of blanketing rates from points on and east of the Missouri river.

(3) The rates westbound to the intermediate points east of the Pacific seaboard terminals are, as a rule, higher than the through tariffs, the higher charges being fixed by the addition to the through rates of either fixed arbitraries or the local rates back from the terminals. The rates eastbound from the intermediate points are usually higher than from the terminals, although many intermediate towns are given the same rates as the terminal cities enjoy.

The system of charging higher rates to the interior towns than to the coast terminals has long been opposed by the intermountain cities, and relief was sought of the Interstate Commerce Commission, which rendered decisions regarding Spokane, Wash., rates in 1910 and 1911, and Reno, Nev., rates in 1909, 1910 and 1911. The Spokane and Reno decisions announced June 22, 1911, are especially important in that the commission then attempted to change the system according to which rates to intermediate points are made. Five territorial zones were established by the commission, and it was ordered

that in shipments from Zone 1 (Missouri river) to intermediate points no higher rate may be made than to coast terminal points, that from Zone 2 (Chicago) the rates to intermediate points may not exceed those to the coast terminals by more than 7 per cent., that from Zone 3 (Pittsburgh) the rates to intermediate points were not to be more than 15 per cent., and from Zone 4 (New York) not more than 25 per cent. above the through rates to the coast terminals. No opinion was expressed as to Zone 5, because the rates from that territory were not involved in the proceedings. These orders of the commission have been appealed to the United States Supreme Court for review, but they indicate the attitude of the commission with respect to the extent to which transcontinental railway charges may properly be allowed to be affected by the competition of the coastwise water lines.

The regular water lines operating via the Panama and Tehuantepec routes have tariffs or schedules of rates, and a comparison of water and rail charges may readily be made.

The water rates in lumber from the Pacific Coast to New York via the Panama and Tehuantepec routes vary from 40 to 60 cents per 100 pounds ($8 to $12 per ton) by way of Panama and via Tehuantepec the rates range from 40 cents per 100 lbs. ($8 per ton) to $20 per 1,000 feet of lumber. The railway rates from the north Pacific Coast to New York vary from 75 to 85 cents per 100 pounds on different lumber products, and from the California coast from 75 to 80 cents per 100 pounds.

The rates by the water lines on different commodities range from 20 to 60 per cent. below the railway tariffs. Upon some articles the difference is greater, while for others it is less. There is no general relation or fixed differential between the water and rail charges, the water rates upon each commodity being sufficiently below the rail charges to enable the steamship lines to secure the traffic desired.

The rates over the Sunset-Gulf route have, since 1909, been the same as the all-rail rates. When freight is shipped via the Sunset-Gulf route from an interior point such as Pittsburgh, the rate is the same whether the freight moves direct by all rail from Pittsburgh to the West Coast or to New York and is then forwarded via the Sunset-Gulf route. The Southern Pacific absorbs the rail rate to New York.

There is no fixed or definite relationship between the rates via the Panama and Tehuantepec routes. Many rates are the same by the two routes; on numerous commodities the Tehuantepec rates are slightly less, and on some article the charges are less via the Panama route. In making comparisons, however, it is important to bear in mind the difference in the service rendered by the Panama Line and the American-Hawaiian Line. The rates of the latter are to and from coast terminals, while the Panama line absorbs railway rates from interior points to the extent of 20 cents per 100 pounds on westbound shipments, and the entire rail rate to certain interior points in California.

The general level of charges by each of the water routes is so fixed as to enable each of the water lines to obtain sufficient traffic in competition with the other and with the rail lines.

The extent to which the transcontinental railway tariffs are affected by the coast-to-coast water rates has long been a disputed question, but it is indisputable that the rail charges are influenced by water competition. The Interstate Commerce Commission in 1911 reiterated its former findings as follows: (City of Spokane et al. v. Northern Pacific Railway, 21 I. C. C. Reps., 416) "This question of fact has been often considered in the past, and with but one unvarying result. The Circuit Court of the United States has twice found, once in a proceeding concerning these very rates to Spokane, that active water competition does exist which controls the coast rates." "The manifests of steamships," says the commission, "prove more conclusively than any mere statement that almost every article which is the subject of ordinary commerce between the coasts can and does move from New York to San Francisco by water at rates materially lower than those mentioned by the defendants by rail. We have used San Francisco as the destination port upon the Pacific coast, and in some instances rates from New York to San Francisco are a trifle lower than to the other coast cities; but generally speaking, the San Francisco rate is maintained at Los Angeles, Portland, Seattle, Tacoma, and other points on the coast. Passing for the time being the extent and effect of this competition at interior points, it must be found as a fact that there is real and active water competition between New York and San Francisco, between the Atlantic and the Pacific coasts, which does limit the rate of transportation which can be charged by rail between those points upon nearly every article which moves by rail."

The system of blanketing the transcontinental rates from points east of the Missouri river is the result of this water competition, active and potential; and so, too, is the difference between the through rates to and from the Pacific Coast terminals as compared with the charges to and from the intermediate points in the West. The rate percentages established in the Reno and Spokane decisions by the Interstate Commerce Commission, to apply upon westbound transcontinental traffic, express the judgment of the commission as to the force that may well be allowed water competition in controlling the railway tariffs.

As the evidence just presented clearly indicates, the transcontinental railway tariffs have been, and now are, influenced by the rates charged by the coast-to-coast water lines; but it is equally true that the rates of the steamship lines operating via Tehuantepec and Panama are to a large extent made with reference to the tariffs of the transcontinental railways. The competition of the water routes with the rail lines, and the recurring rate wars have, in the past, forced the transcontinental railways to adopt the system of rate making now in force; but during recent years rate wars have been avoided; the transcontinental railways have not been under pressure to fight against the water lines for traffic; the tonnage moving by rail has been large and has rapidly increased; and the

policy of the railways has been to maintain and, where practicable, to raise the established level of rail tariffs.

Since 1907, when the American-Hawaiian Line began its service via Tehuantepec, there has been a large increase in the water-borne intercoastal tonnage; but there has been no consequent general decline in the charges by the transcontinental railways. It was stated by the Interstate Commerce Commission in 1911, in the Reno division, that "Out of 1,535 commodity rates compared by the carriers, it appears that no change has taken place since December 1, 1906, as to 696 of such commodities, reductions have been effected in 287, advances and reductions as to 132, and advances as to 418. Of the items increased, the rates on 318 commodities were increased from the whole eastern blanket."

The relation that has recently prevailed between the rates of the intercoastal water lines and the transcontinental rail tariffs is indicated by a statement made by the assistant to the vice-president of the Southern Pacific in the testimony taken by the Interstate Commerce Commission in the Reno case. The statement, which was an answer to the question whether the water lines controlled the transcontinental rates, was "I believe the rail lines control the making of their own rates, and when we say to-day that we do not wish to go any lower, that indicates our disposition in that regard in making the rates." The same official also stated: "I have never seen a tariff of the American-Hawaiian Line, because they have never been published. They are simply based on our rates as the basis of theirs."

The president of the American-Hawaiian Line, in testifying before the Senate Committee on Interoceanic Canals in 1910, spoke as follows: "We are friendly with them (the railway traffic managers). We discuss rates. I don't know of any other business in the world where competition don't get together and talk matters over. We are not tied up; we are not committed. We do as we please, absolutely, untrammeled. . . . Our traffic manager doesn't attend the conferences of the railways, but he goes to Chicago and gets his ear pretty close to the ground. That's his business." In answer to the question, "Today, as I understand it, you frankly admit that you follow more or less what the transcontinental railways determine?" he said, "Certainly," but expressed the view that the water lines would dominate rates after the canal is open and after they carry the bulk of the strictly transcontinental traffic.

That the intercoastal water lines should now tend to adjust their rates with reference to the established level of railway tariffs is in accordance with a general economic law. In any business or industry where the major share of the business is handled by one group of concerns the smaller individual competitors normally make their charges with reference to the prices established by the concerns doing the larger share of the business. More than four-fifths of the transcontinental traffic westbound and eastbound, until 1911, was handled by rail, and less than one-fifth by the water carriers; and it naturally follows that the level of rail rates influences the charges of the carriers by water.

Though the fact may seem paradoxical, it is not to be inferred from the preceding analysis either that the railway rates are not or are not to be influenced by the charges of the water lines, or that there is now or is to be no effective competition among the intercoastal carriers by water. The transcontinental rail and intercoastal water rates are and will be made with reference to each other. There will probably be no fixed percentage, or general differential, relation between the rail and water charges. Under present conditions the rates via Panama and Tehuantepec are from 20 to 60 per cent. below the transcontinental rail tariffs, and the opening of the canal will so reduce the costs of transportation by the water lines and will so increase the number of carriers and the volume of coastwise shipping as to make a still greater difference between the rail and water rates. The future level of rail tariffs must necessarily be established with reference to the rates charged by water.

The steamship lines now engaged in the coast-to-coast business obtain a part of their freight from interior points in the Eastern States for shipment to the Pacific Coast. The manifests of cargo show that a small tonnage is obtained from places as far west as Chicago and St. Louis, and also state that some of the westbound freight shipped by water is destined to interior points in the western part of the United States. The great bulk of westbound freight, however, originates at the eastern terminal of the water lines—at New York and points not far distant therefrom—and is destined to the Pacific Coast terminals and to places not far inland. The evidence secured by the Interstate Commerce Commission in the Spokane and other cases led the commission to state that "The principal movement by water is from the Atlantic seaboard itself, from New York and from points having water communication with New York, and from interior territory immediately contiguous. There is a considerable movement as far inland as Buffalo and Pittsburgh, and an occasional movement from Detroit, Chicago and similar points. A movement of starch from Cedar Rapids, Ia., of considerable proportions was shown, but generally speaking, up to the present time, comparatively little traffic originating west of the Buffalo-Pittsburgh zone has reached the Pacific Coast by water." The present eastbound freight of the steamship lines, to a larger degree than is true of their westbound tonnage, originates and terminates near the seaboard.

The competition of the intercoastal water lines with the railways has benefited the sections near the Atlantic and Pacific seaboards more than the interior section; because, for most shipments to and from interior points via a combined rail and water route, the through rate is the sum of the rail rate to or from the coast and the rate by water from coast to coast. There are also transshipment or re-handling charges.

The Panama Railroad Steamship Line, which makes the westbound rates applying over its line and Pacific Coast connections, deals as follows with charges from

interior eastern points. From its New York pier to Pacific Coast points the following "minimum rates" apply:

	Per 100 lbs.
To East San Pedro, Cal.	$0.50
To Los Angeles, Cal.	.55
To Oakland, Cal.	.50
To Portland, Ore.	.52½
To Sacramento, Cal.	.55
To Stockton, Cal.	.55
To all other Pacific coast ports	.60

The tariff then provides that, except in case of special rates from New York pier or of rates which do not exceed the above minima, the water rates quoted "may apply from interior points, and when a rate is at least 20 cents higher than the minimum, the Panama Railroad Company will assume the charges from shipping point to New York pier not exceeding 20 cents per 100 pounds, any excess over this absorption to be shown on bill of lading as 'advance charges' to be paid by shippers or consignees as the case may be. When a freight rate is not at least 20 cents higher than the minimum, the Panama Railroad Company will assume the difference between the minimum and said rate." When the water rate on the commodity in question does not exceed the theoretical minimum water rate by 20 cents, the Panama Railroad Company absorbs the rail rate only to the extent of the excess of the actual water rate over the minimum water rate, and if the actual rate is only equal to, or is less than, the minimum, the shipper or consignee is obliged to pay the entire rail charge from the inland point to New York.

The policy of the American-Hawaiian Steamship Company is to "make its rates from the terminals." It does not absorb any of the rail rates to New York; but as the rates of this company are not published it is probable that traffic of large shippers from interior points is solicited at such rates from New York to the Pacific Coast as to allow the inland shippers to pay the rail charges to New York and yet enjoy a favorable through rail-and-water rate.

At the Pacific destination of westbound traffic the Panama Line and connections absorb the rates to certain points not on the coast. The tariffs apply alike to the following points: San Francisco, Sacramento, Stockton, Oakland, Berkeley, Los Angeles, San Diego, Santa Barbara, San Pedro, Redondo, Vancouver, Portland, Astoria, Seattle, Tacoma, Port Townsend, Everett, Anacortes, New Whatcom and Victoria. As is shown above, different minima water rates prevail from the Atlantic seaboard to these points on or near the Pacific Coast; but upon any particular commodity the same actual rates are quoted from New York to all the above-named Pacific destinations. The actual rate on any given article shipped from an interior point near the Atlantic via New York to any one of the Pacific destinations will depend both upon the amount of rail charge from the interior point to the Atlantic seaboard absorbed by the steamship lines and also upon the minimum water rate from New York to the Pacific destination. The minimum bill of lading for single shipments, likewise, varies from $2 to $2.75. The American-Hawaiian Line does not absorb the rail rates from the Pacific Coast terminals to any interior destinations. Since no interior rates beyond Sacramento and Stockton are absorbed by any line, most of the traffic that reaches the west coast by water does not go far inland, although some freight is carried to points as distant as Reno, Nev.

The Sunset-Gulf Line from New York to the Pacific Coast takes traffic from interior eastern points via New York and New Orleans or Galveston at through rates equal to the all-rail rate from the interior eastern points to the Pacific Coast. It thus absorbs the rail rate to New York in that the rate is paid out of the through charge. The Sunset-Gulf route, however, is to be classed with the transcontinental rail lines, and not with the intercoastal water lines—because its rates are the same as those by the all rail carriers.

Neither the trunk line nor the transcontinental railways have favored the shipment of commodities from the Middle West to the Atlantic seaboard for carriage thence by water to the Pacific Coast. The policy of the railways, generally, under the leadership of the western lines, has been to hold to the all-rail lines the traffic to the Pacific Coast both from the Atlantic seaboard and from interior points.

The rivalry of the railways from the Central West to the Atlantic with those from the Central West to the Pacific, and the industrial competition of the Mississippi Valley with the Eastern States, which can ship to the Pacific Coast by water lines, brought about the system of blanket rates for most of the traffic to the west coast from the entire section east of the Missouri. The competition of the rail and water lines at the Atlantic seaboard controlled transcontinental rail rates from the Eastern States, and the railways and the industries of the Middle West insisted upon reaching the Pacific Coast on equal terms with the railways and industries of the eastern section. Upon some articles the rates from the Central West are lower than from the Atlantic seaboard, there being some grading downward of rates by successive lettered groups westward from the Atlantic Coast.

The effect of water shipments upon the interior has been indirect rather than direct. The tonnage of transcontinental traffic carried from the Mississippi Valley to the Atlantic seaboard for shipment thence by water to the west coast has been relatively small, but the actual or possible shipment of a relatively large volume of commodities by water from the Atlantic Coast has controlled the rail rate from the Central West to the Pacific. Water competition has exercised less influence upon eastbound rail rates from the western section of the Middle West and the East, but even on eastbound traffic most rates are blanketed over the entire region east of the Missouri river. There is more grading by distance of eastbound than of westbound rates, but the difference between the eastbound and westbound transcontinental rate systems is one of degree, not of kind or of principle.

The opening of the Panama Canal will so greatly change the industrial relations of different sections of the United States and the competition of the transcontinental railways and the intercoastal water lines as inevitably to require many changes in the present system of transcontinental rates.

1. The railway rates most completely subject to the competition of the intercoastal lines using the canal will be those westbound to the Pacific Coast from the section of the United States between the Buffalo-Pittsburgh district and the Atlantic seaboard. Even under present conditions, the transcontinental rail rates between the two seaboards are largely affected by the competition of the routes via the Isthmuses of Panama and Tehuantepec, and it is estimated that one-half of the traffic carried from this eastern section of the United States to the Pacific Coast now moves by the water routes. Is it probable that the railways will endeavor to meet the rates of the intercoastal water lines with the view to holding to the all-rail routes the traffic between the two seaboards? It is hardly to be expected, for the following reasons that the railways will make a desperate effort to hold this traffic against the water lines.

In the first place, the tonnage involved constitutes, at the present time, a comparatively small percentage—only 20 to 22 per cent—of the total traffic carried to the Pacific Coast by the transcontinental roads—those running from

Chicago to the west coast. Only 35 per cent. of the through business of these lines originates in this eastern section and in the Buffalo-Pittsburgh territory. In other words, more than two-thirds of the through traffic of the transcontinental lines now comes from the Central West.

In the second place, the system of blanketing rates from the Atlantic seaboard westward to the Missouri river—a system that will probably prevail—will carry through to the Missouri river at any rate reductions which the railway lines may make on traffic from coast to coast, and it is hardly to be expected that the railways will reduce rates unnecessarily upon two-thirds to four-fifths of their traffic in order to compete more successfully for the remaining minor portion of their possible tonnage. It will be more profitable for the transcontinental rail lines to lose the major portion of their traffic from the Atlantic seaboard section in order to maintain paying rates on the westbound traffic from the middle section of the United States.

In the third place, it is probable that the eastern trunk lines as well as the Pacific lines originating at Chicago and central western points will be opposed to the policy of reducing coast-to-coast all-rail rates to the lowest possible minimum in order to meet the competition of the water lines. It will be to the advantage of the eastern trunk lines to haul traffic from points within 500 miles of the Atlantic to the seaboard for shipment by water rather than to prorate with their western connections low, through all-rail rates from the Atlantic to the Pacific.

2. The transcontinental railways may be expected to endeavor to hold as much as possible of the traffic from the eastern seaboard states to intermediate points in the Rocky Mountain States. The steamship lines through the canal, with the co-operation of the Pacific Coast jobbers, will endeavor to supply the cities within a thousand miles of the Pacific Coast with supplies handled by way of the canal and the Pacific gateways. The railways will be obliged to decide whether it is wiser to continue to favor the Pacific Coast jobbing trade, or, by reduction of rates from the East to the intermountain cities, to cause those cities to secure their supplies directly from the East and not by way of the Pacific. While it is impossible to predict which of these two policies will be deemed wiser, it would seem a priori that the railways will prefer to supply the intermountain states directly from the eastern sources of supply.

3. The principal eastern termini of the transcontinental railways are St. Paul, Duluth, Chicago, St. Louis, Kansas City and Omaha, and these railways are concerned first of all with the effect which the Panama Canal may have upon the westbound rates from the central section of the country. The rates to the Pacific Coast from Chicago and other points as far east as that city, after the opening of the Panama Canal, must meet the through rates by rail-and-water lines via Atlantic and Gulf ports. It is the expectation of the trunk lines that they will be able to divert to the Atlantic seaports transcontinental traffic originating at points as far west as Cleveland and Indianapolis. It will also probably be possible for the railways to the Gulf to attract some westbound transcontinental traffic to Gulf ports from points as far north as St. Louis. This indicates that the transcontinental lines must reckon with the canal route in making rates from the eastern and southern parts of the Mississippi Valley to the Pacific Coast.

4. At the present time the transcontinental railways have a relatively large and a highly profitable traffic from the Central West to intermediate points in the mountain states. The rates generally being the same from the Middle West as from the Atlantic seaboard to the states in the intermountain section of the Far West, the manufacturers and other producers of the Middle West have secured most of the trade of the mountain states. Formerly traffic moved from the Atlantic seaboard around to the Pacific Coast and from there inland to the intermountain states. The Pacific Coast jobbers interested in this trade will be able to secure commodities either from eastern producers by way of the canal or from Middle West producers by way of the railways. It has thus far been deemed profitable by the transcontinental lines to make through rates to the Pacific Coast much lower than to intermediate points and thus favor the jobbing trade of the Pacific Coast. This policy has been justified by the fact that the low through rates were, at least, slightly profitable, and that the distribution of traffic by rail from the Pacific Coast through the mountains at high local rates was highly profitable. It seems probable that the Panama Canal will cause the through rates to the Pacific Coast to be so low as to make it more profitable for the railways to carry traffic from the Middle West directly to intermediate points than to haul it to the Pacific Coast for subsequent distribution. This view has been expressed in the following words by the traffic manager of one of the transcontinental railways:

The railways have maintained normal rates to these interior points and have resisted the natural demand for rates insuring direct movement of these commodities from eastern sources of supply, because they knew that they were carrying 85 per cent. of the tonnage to Pacific Coast terminals, and for that reason their revenue on eastern manufactured goods shipped from Seattle to Walla Walla, Spokane, etc., was not measured by the rate charged for that final movement of the traffic, and so far as the competition of water-borne commodities, including imported merchandise, was concerned, there was consolation in the fact that we were getting a comparatively high rate from Seattle to these interior points.

But we should ask ourselves, what would have been the adjustment of rates to interior points in the absence of these compensating conditions? If the town of Walla Walla uses 10,000 kegs of nails per annum, it is the duty of the railway traffic manager to make that business contribute as much as possible to the earnings of his railway. Heretofore we have not worried when we saw these nails coming in from Portland or Seattle, for the reason above stated, but when we stop carrying the original shipments to Seattle, and when the business from Portland begins to seek the open river route, then we will realize that we must make rates from the East which will insure the direct movement of these commodities to these interior points.

As to the ability of the railways to do this, I don't see how there can be any question so far as the territory east of the Cascade mountains is concerned; they may be driven out of the Pacific Coast business, but they must stay in it so long as it represents any rate over and above the actual cost of the service when considered as additional traffic within the capacity of the railway, and that is just exactly what it will be.

5. The tonnage carried by rail from the Pacific Coast through to the Atlantic section east of Pittsburgh and Buffalo is relatively light and consists, in large part, of perishable freight, of which green fruits constitute an important item. It is possible that the steamship lines through the canal will handle some of the green freights from the west coast to the eastern markets, but in all probability the present methods of shipping and marketing fruit will prevail, and the traffic, in spite of somewhat higher rates, will continue to move mainly by rail. The principal markets for all the products of the west coast are in the Rocky mountain section and the Mississippi Valley, and the transcontinental railways will be concerned chiefly in maintaining eastbound rates from the west coast to those sections and will hardly decide to reduce rates on traffic destined to points throughout the eastern half of the United States in order to hold against the steam-

ship lines a portion of the comparatively small tonnage which the railways haul through from the Pacific to the Atlantic seaboard section.

6. The rates on fruits, barley, fish, lumber and other west coast products to the mountain states and to the Mississippi Valley are of prime importance to the transcontinental railways. The traffic taken from the west coast by rail to the southern and eastern portions of the Mississippi Valley must be secured in competition with the combined water and rail routes by way of Panama and the Gulf or Atlantic ports, but for the major share of the eastbound traffic from the Pacific Coast over the mountains the railroads will not be seriously affected by canal competition.

7. The traffic from the mines and ranches of the intermountain states eastbound to the Atlantic Coast section comprises a comparatively small tonnage. The rail rates on wool and some other products will, after the opening of the canal, necessarily be influenced by the through rate by rail to the Pacific Coast and on by steamship lines through the canal. It is not probable, however, that much traffic will move from points east of the Sierra Nevadas to the Pacific Coast for transshipment eastbound through the canal.

8. The principal markets for the productions of the Rockey Mountain states are in the Mississippi Valley. It will not be possible for the canal to divert from the railways the traffic from the western mountain states to destinations west of Buffalo and Pittsburgh, nor will the canal have much effect upon the rates which the railways may charge for this traffic.

9. The general effect of the canal will be to lower transcontinental railway rates. If the foregoing analysis proves to be sound, it will be the policy of the railways to allow a portion of the traffic that might be held to the rails to be shipped coastwise through the canal and to maintain rates upon the traffic which can readily be prevented from taking the canal route. It is probable that the railways will adopt the general policy of surrendering without serious struggle the minor portion of their traffic in order to maintain profitable charges upon the major share of their tonnage. The immediate effect of the canal will be to lessen railway profits; the ultimate effect may be the enhancement of the prosperity of the railways. The canal will aid the industries and trade of the United States. Like other transportation facilities, it will create the need of other means of transportation; and, should the transcontinental railways be obliged to face reduced profits for a period of years, they need have no serious apprehension as to their future prosperity. The railways connecting the Mississippi Valley and the Pacific Coast are among the most profitable lines in the United States. The country they serve is certain to have a large development during the next quarter century, a development that will unquestionably be appreciably aided by the Panama Canal.

The probable influence of the Panama Canal upon the trade of the eastern and the central sections of the United States with the western part of the country, and the anticipated effects of the canal upon the carriers interested in that trade may be broadly summarized as follows:

1. The Atlantic section of the United States will obtain a somewhat larger share of the trade of the Pacific Coast, and will secure more benefit from the cheap water route than will the Middle West.

2. The inroads upon the trade now possessed by the middle section of the country will, however, probably not be serious; because (a) the Middle West now has a firmly established hold upon the west coast trade; (b) the Middle West producers, aided by their rail carriers to the Pacific Coast, will probably be able to compete successfully with eastern producers not located in or near the Atlantic ports. The Middle West will lose a part but not all of the trade of the Pacific Coast seaboard cities, but may be expected to hold nearly all of the trade of the cities in the intermountain states; (c) the trunk lines to the Atlantic seaboard will doubtless aid producers just west of the Alleghenies by making low through rates from places as far west as Cleveland and Indianapolis to the Pacific via the Atlantic ports and the canal. The rail lines to the Gulf likewise will draw trade from Memphis and St. Louis and possibly Kansas City to the Gulf for shipment through the canal to the Pacific Coast; (d) the transcontinental rail lines running west from St. Paul, Chicago, St. Louis and the cities of the Missouri river may be expected to assist in building up the direct trade from the Mississippi and Missouri Valleys to the cities in the intermountain states, and thus to limit the entry of goods from the eastern part of the United States via the Pacific Coast into the inland markets of the intermountain states.

The intermountain states will probably secure lower freight rates for their trade with the eastern section of the country and with the Middle West. Instead of cutting deeply into the rates between the eastern part of the United States and the Pacific Coast terminals, and thereby, under the ruling of the Interstate Commerce Commission in the Spokane and Reno cases, automatically depressing all rates to intermediate points, the railways will more probably decide to maintain fairly remunerative through rates to the west coast, to suffer the major share of the coast-to-coast traffic to be supplied by eastern producers and to be carried through the canal, and to make only such reductions in the rates to and from the intermountain territory as may be required to cause that section to continue to trade mainly with the Middle West.

3. The canal will assist the Pacific Coast states in trading with the eastern and southern parts of the United States. Much trade not now possible will develop. The importance of the west coast cities as jobbing centers may be lessened by the growth of direct trade between the intermountain states and the sections east of the mountains, but this loss will be more than compensated for by the growth of new trade.

4. The effects of the canal upon American trade and upon rail rates will not be much affected by the exemption of coastwise ships from the payment of Panama tolls. If the non-payment of tolls were to reduce freight rates by the amount of tolls, the freight rates—which will be from $6 to $20 a ton—might possibly be 60 cents a ton lower. That would be of some assistance to the Pacific Coast jobbers and large shippers, and would somewhat increase the advantage which the canal will give the East over the Middle West in trading with the west coast. It is not probable, however, that the exemption of the payment of tolls will appreciably affect the rates charged by the regular steamship lines. The non-payment or remission of tolls will chiefly aid the owners of the coastwise marine and not the shippers. Most traffic will be handled by the regular lines, which will charge common rates fixed in conference, and competition, while not eliminated, will be so regulated as to enable the carriers to keep charges well above the lowest rates at which traffic can profitably be carried. Whether there be tolls or no tolls, the line steamship rates will not be based on cost of service, but will be such as the traffic will bear and increase. Canal tolls, being a part of the cost of service, will not make line steamship rates higher, nor will the omission of tolls cause the freight rates to be lower. This is not true of the rates payable on bulk cargoes of traffic handled in individual vessels operated under charters. Charter rates are competitive, and the few large shippers who can use a chartered vessel will be benefited by being relieved of the payment of canal tolls. It is probable that the payment of tolls by ships engaged in our coast-to-coast trade would affect neither the rates of the regular steamship lines nor the charges of the transcontinental railways.

AGREE WITH THINE ADVERSARY.

From The Fortnightly Review.

The equanimity with which Great Britain has received the news of a fresh Convention between Russia and Japan, and of the reported division of Mongolia and Manchuria between them into "spheres of interest," is due to the false security into which we have been lulled by the Anglo-Japanese Treaty. That Treaty, in the mind of the average Briton, secured our position in the Far East because it stipulated for the maintenance of the *status quo* and the preservation of the integrity of the Chinese Empire. We have long ago abandoned all idea of pegging out special claims for ourselves in China, but we feel that, as our interests depend on a similar self-denying ordinance on the part of other Powers, we have merely to insist (on paper) on the "integrity of China" and the preservation of China's sovereign rights, and all will be well. Now that we are faced with the spectacle of the rivals, who seven years ago were engaged in a desperate struggle because one of them threatened China, not only linked in bonds of amity but pledged to assist and uphold each other, we ought to take stock of the situation afresh.

The object of this article is to try to cast some light on the extremely obscure state of affairs in the Far East. There is no intention of imputing faithless conduct or any measure of moral turpitude to the actors in that drama, and it may be impossible for us at present to take active steps to interfere. But at least we need not live in a fool's paradise.

The phase of history which is now unfolding itself begins, in the minds of most people, with the Treaty of Portsmouth in 1905, or perhaps three years earlier, with the first Anglo-Japanese Agreement of 1902, which guaranteed the integrity of China and Korea. This was, of course, renewed with alterations in 1905, and again, with further modifications, in 1911. It is unnecessary to enter into details as to the variations in these Agreements, but the second stipulation in the preamble, which is practically identical in both the 1905 and 1911 instruments, runs as follows:—"The preservation of the common interests of all Powers in China, by ensuring the independence and integrity of the Chinese Empire and the principle of equal opportunities for the commerce of all nations in China." These phrases are echoed in a Franco-Japanese Convention, of the date June 10th, 1907, in the Russo-Japanese Convention of July 30th, 1907, and again in an exchange of Notes between the United States and Japan in November, 1908. Finally, in July, 1910, Japan signed a Convention with Russia, in which the maintenance of the *status quo* in Manchuria was guaranteed. Under the Treaty of Portsmouth, it must be remembered, the restoration of Manchuria to China was expressly provided for, and the Anglo-German Agreement of 1900 (to which Japan was a party) provided for the maintenance of the territorial condition of the Chinese Empire.

It appears on the surface, therefore, that the integrity and sovereignty of China are amply secured by international Agreements. Obviously, however, such Agreements are only secondary to the Treaties entered into by China herself, and when we come to consider these the position is at once obscured. Taking the conclusion of the Russo-Japanese War as the (hypothetical) beginning of the present situation, we find China, first of all, compelled to transfer to Japan the rights and concessions originally granted to Russia in the Liao-tung peninsula and with regard to the South Manchurian railways. These rights are not defined. They consisted originally in the lease of Port Arthur in 1898 and the Manchurian railway concession in 1896, obtained by the Russo-Chinese Bank, which had been founded in 1895 "to develop Russian interests in the East." Strange as it may appear, there is no official version of either of these available, and therefore the exact nature of the "rights" in question is not ascertainable. Some light is thrown by the Chino-Japanese Agreement of May, 1907, whereby China secured the establishment of an Imperial maritime customs office in Dalny, thus, apparently, asserting her retention of a status in the leased territory. But in a second part of the same instrument there is a clause in which she agrees, without conditions, to the building and administration by Japan of the Antung-Mukden line (secured to that country already by the 1905 Treaty) on the same terms as the Southern Manchurian railway. Japan and Russia had both, in 1905, obtained the right to garrison their railways with "guards," and Japan set up a Railway Administration, which exercises every kind of right and jurisdiction within the railway zone, even to the collection of rates and dues for public works. The extension of this system to a line not in existence when the 1905 Treaty was signed appears to be a distinct abrogation of China's existing rights. But the most flagrant instance was yet to come, in a dispute which attracted some attention in Europe—over the proposed Sin-ming-tun line, which China desired to construct in what was nominally still her own territory of Manchuria. In August, 1907, she was again forced to swallow the leek and abandon her project, the reason given being that she must "conform to her declaration of 1905," that she will not construct railways in the vicinity of, or parallel with, the Manchurian railways. This declaration is not part of the published Treaty, but is one of several secret Agreements which have, so far, not been made public.

China's treaty relations with Russia since the termination of the war are equally difficult to determine exactly. In 1909 she executed an Agreement concerning mining rights acquired under the Treaty of Portsmouth, but, again, their character is not divulged. Her trade relations with both Russia and Japan are largely governed by the Treaty of 1881, whereby Russia obtained certain privileges in connection with tariffs which applied to the whole overland trade between Russia and China. Disputes relating to customs were finally settled in 1907 by an agreement which gave a 33 per cent. preference over the whole trade of the Manchurian lines, and led to a demand by Japan for "most favored nation" treatment on the Korean-Manchurian frontier, and also to her insistence (already mentioned) on obtaining for the Mukden-Antung line the same terms as those enjoyed on the other Manchurian railways.

When one arrives, therefore, at the Russo-Japanese Convention of 1910, with its guarantee of the *status quo,* and the renewed Anglo-Japanese Alliance of 1911, with the assumption that China's sovereignty is to remain intact, one is faced by absolute uncertainty as to what China's position really is, what the *status quo* covers, and how far the equal participation of all nations in the open door is possible under obligations incurred, *nolens volens,* by China to Japan and Russia.

This summary of treaty relations would not be complete without special mention of those existing between Russia and he quondam adversary Japan. The Treaty of Portsmouth was not executed under conditions apparently favorable to an early healing of the wounds caused by war. It was, however, only a couple of years later (July, 1907) that the first step towards active *rapprochement* was taken in a Convention whereby the two Powers engaged to respect the rights acquired by the other under treaties, conventions, and contracts with China, but there

was no similar condition concerning China's sovereignty. The independence and territorial integrity of China and the principle of equal opportunity were affirmed, and the two contracting Powers engaged to uphold and maintain the *status quo*. Allusion has already been made to the 1910 Agreement between Russia and Japan. It guaranteed the *status quo* in Manchuria, a guarantee which must be regarded in the light (or rather the obscurity) of the 1907 Convention, and the fact, now known, that the 1905 Treaty contained secret clauses. But the main object of the Treaty of 1910 was to bind the two contracting Powers to respect each other's rights in Manchuria, and to assist each other in maintaining the *status quo*. As this Agreement (signed in St. Petersburg on July 4th, 1910) is of importance, the text is given:—

The Imperial Governments of Russia and Japan, being sincerely attached to the principles established by the Convention concluded between them on July 30th, 1907, and being desirous of developing the effects of this Convention with a view to the consolidation of peace in the Far East, have agreed to complete the said arrangement in the following manner:—

(1) With the object of facilitating communications and developing the commerce of the nations, the two high contracting parties agree to extend to one another their friendly co-operation with a view to the improvement of their respective railway lines in Manchuria, and the perfecting of the connecting services of the said lines, and to abstain from all competition prejudicial to the realization of this object.

(2) Each of the high contracting parties undertakes to maintain and respect the *status quo* in Manchuria resulting from all the treaties, conventions, and other arrangements concluded up to this date, either between Russia and Japan or between those two Powers and China. Copies of the said arrangements have been exchanged between Russia and Japan.

(3) In the event of anything arising of a nature to threaten the *status quo* mentioned above, the two high contracting parties shall enter each time into communication with each other with a view to coming to an understanding as to the measures they may think it necessary to take for the maintenance of the said *status quo*.

We shall see later the origin of this Agreement. Finally, we arrive at the recent Convention of 1912, the exact terms of which have not been made public, but which, according to semi-official information from Tokio and St. Petersburg, is an agreement respecting the "spheres of interest" of Russia and Japan. These are defined as covering "Outer Mongolia and Northern Manchuria" for Russia, "Inner Mongolia and Southern Manchuria" for Japan. We are told that this agreement, shortly to develop as an alliance, supplements those of 1907 and 1910.

Several questions arise at once. In the first place, what is meant by "sphere of interest," and is it compatible with equal opportunities for all nations? The expression has rather fallen out of use of late years—it was common currency in China in the 'eighties and 'nineties—but no interpretation that the present writer remembers to have seen attached to it is compatible with the preservation intact of China's sovereignty or the placing of all nations on an equal commercial footing.

The next point is more difficult to elucidate than appears on the surface—it is concerned with the actual position and extent of one of the territories named. Mongolia, we all know, is a vast region to the north and north-west of China, bordered by Siberia on the north, by Manchuria on the north-east, by China Proper (the provinces of Chihli, Shansi, Shensi, and Kansu) on the south, and by Turkestan on the west. But it is more difficult to ascertain what is the division between Inner and Outer Mongolia, names not found on most maps or in many standard books. The line of division cuts Mongolia roughly in half, running from the north-east corner to the south-west, and has no apparent relation to natural boundaries. A reliable French authority, L. Richard, speaks of Inner Mongolia as consisting of the whole country between the Gobi desert, China proper and Manchuria, while Outer Mongolia comprises all the rest of the country. The important point about Inner Mongolia, however, is the fact that historically, racially, and even administratively, it includes a great part of the province of Chihli. This territory was and is part of Mongolia, but the Chinese for centuries past have pushed their settlements out further and further from the Great Wall, and their administrative frontiers have been extended, with curious results. The country in question—"China beyond the Wall"—is little known to Europeans, many parts of it are still unexplored by Westerners, and maps are extremely unreliable, and suffer from the confusion of names common to Chinese topography. A few missionaries have written *impressions de voyage*, and indeed one of the best known of them, James Gilmour, laid his bones in this region. The following extract from a book, "Tramps in Darkest Mongolia," by Rev. J. Hedley, written in 1910, gives a good idea of the confusion existing:—

"We were now in Inner Mongolia or Outer Chihli. . . . Although we were travelling in Mongolian territory and among Mongol tribes, we were never out of the official territory of Chihli. . . . Nominally under the Viceroy of Chihli resident in Tientsin, they are more directly subject to the Tartar General at Jehol, yet the jurisdiction and administration of the officials is a very perfunctory business. . . . 'It has the name, but not the fact.'"

It must be noted that Inner Mongolia is officially placed under two military Governors General, one at Jehol (in Outer Chihli) and one at Kalgan. The princes established in Mongolia-Chihli) (to coin an expression) are often wealthy. They live in feudal palaces, and depute their duties largely to a third order of Mongol officials. The Chinese civil authority, which is superimposed on this feudal system, does not interfere with it much. In many places the magistrate is never seen, and the only appearance of authority is vested in the Mongol princes.

The whole of the Mongol territory north of Chihli is not, as many maps make it appear, composed of the Eastern Gobi desert. Although the Central Asiatic plateau, with its so-called desert, does extend across this region to the frontiers of Manchuria, yet the slopes and valleys of the Khinghan, where the many rivers of Manchuria take their rise, are fertile and cultivable, and Outer Chihli itself is thickly populated. Mr. Hedley estimates that about half the population are Mongolian, and they retain their own language combined with a strong dislike and contempt for the "usurpers." Trade is entirely in the hands of the Chinese, not merely because of their superior aptitude, but by reason of the interdict of the princes who forbid the Mongols to engage in commerce. The largest city in Inner Mongolia is Hata, or (Chinese) Chih-feng-hsien, about 170 miles north of Jehol. Here, it is estimated, there are 1,400 or 1,500 places of business, practically all maintained by Chinese from within the Wall, who come there for business purposes only and keep their families in their birth-place. These are instances of the status of Outer Chihli as a Chinese colony, rather than as an integral part of China Proper, and the question at once arises: What does Japan mean by "Inner Mongolia"? Does her definition comprise what is locally known as Inner Mongolia, or can it be stretched, at will, to include this debateable territory? It must be remembered that there is no natural boundary between Inner Mongolia and China, and that the racial intermixture on the frontier has practically obliterated any racial boundary. If Japan is really to pre-empt to herself a special interest in Inner Mongolia, she will have placed herself as a buffer between Russia and China Proper—a long narrow wedge running along the northern frontier of

China—but of more immediate importance will be the extraordinary position she will have secured with respect to the province of Chihli and the present capital, Peking, which lies in the centre of that province but close to its ancient northern border and the Great Wall.

That some people in this region itself have not been ignorant of the trend of events is evident from a most significant conversation reported by Mr. Hedley with the brothers of one of the Mongol princes, who received him in their palace. They were much exercised over a coming visit of Prince Su to their country (1909). "Rumors have come that the land of Mongolia is to be split up into different portions for different countries. Russia has practically settled on her part; Japan is sure as to the portion she wants." The Englishman, accompanied by an Indian surveyor, was supposed to be prospecting on his own account!

In Outer Mongolia there is less of the town or village life to which the Mongol in Inner Mongolia is gradually, by the infiltration of Chinese influence, settling down. With the exception of Urga there is no town worthy the name, and Urga, a centre of pilgrimage, the second holy place in the Lamaistic creed, and the centre, moreover, of trade routes, is now the capital of an independent Mongol state under Russian protection.

The official part played by Russia in the Mongolian revolt against China does not tell the whole story. For a long time past Russia has been devoting to the Mongolian regions a share of that patient, persistent attention by which she has covered so much ground. There has been a speeding up of late years, since the war, and China has been fully aware of what was going on, and has taken vigorous measures to meet the danger. In 1908 the Moscow merchants sent out a mercantile mission to investigate all the oases from Kiachta to Kashgar. They reported that Chinese colonization was proceeding at a great pace, especially in the south. Chinese emigration offices had been opened not merely at Urga but at other centres, and railways were planned, of which the Peking-Kalgan line was only one link—in short, unless something happened soon it would be too late. In 1909 a "scientific" mission, under Colonel Popoff, travelled through Mongolia and recommended the early construction of a railway from Lake Baikal to Urga. In 1911 a Government mission, for the purpose of an "economic study of Mongolia," was sent out, under M. Bogoliepov. The attitude of the Mongols themselves is difficult to estimate accurately, because the writers on the question are almost invariably *parti pris*. It is certain, however, that there is no love lost between Mongols and Chinese, for the latter, practical, industrious, money-grubbing people, are the antithesis of the careless, good-natured, lazy Mongols. The attitude of the Mongols, however, is a matter of little consequence.

The importance of the city of Urga to Russia must not be judged merely from the economic or strategic standpoint. The influence of Lamaistic Buddhism in Central Asia, and the ramifications of authority provided by the Buddhist hierarchy are about the only stable and permanent features in the country, and they are largely focussed in Urga. The Dalai Lama, it will be remembered, took refuge in Urga when the British entered Lhassa. The Anglo-Chinese Convention respecting Tibet guaranteed the suzerainty of China in that country, but, feeling the weakness of her position, China adopted drastic measures to turn that suzerainty into sovereignty. The chaos caused by the Chinese Revolution gave the Tibetans the opportunity they desired to throw off the yoke that had been tightening on their necks, and the Dalai Lama has now declared himself the independent ruler of the country, and has even ordered a new issue of Tibetan stamps to supersede the surcharged Chinese issue hitherto in use! At this juncture it is interesting to note the reported reappearance at Lhassa of the well-known Russian agent, the Buriat Dorjieff, who has played an important *role* in the past in Russo-Tibetan relations.

It need not be supposed that Russia has any intention of openly annexing Mongolia. She desires a weak and pliable State as a frontier for Siberia. Mongolia may suit her purpose better as it is, but Chinese colonization must be checked. Obviously the many pledges respecting China's integrity do not cover the contingency of a revolt by the Mongol tribes in Outer Mongolia. We know that the Revolution was the signal for some severe conflicts in the frontier towns, where China melts into Inner Mongolia, but there are strong garrisons in some of these, and no clear proof has yet come of successful throwing off of Chinese authority in this region. Japan's half of the bargain appears, therefore, to have compensating difficulties in exchange for the undoubted advantages it offers.

There is a tendency in this country to lay China's disasters at the door of the Revolution. A study of the coming together of Russia and Japan should dispel this illusion. The overthrow of the dynasty and subsequent chaos have speeded up events, but the initial impetus to the Russo-Japanese union for spoliation may be found in the amazing indiscretions of a well-meaning third party. In 1909 there were international complications regarding China, mostly connected with railways, and the United States became concerned and (with Austria-Hungary) refused to recognize a preliminary Russo-Chinese Agreement for the administration of the railway zone in Manchuria. The declaration of Baron Komura that the "guiding rule" of Japan was the principle of the open door and equal opportunity was ill received in the United States, and in January, 1910, the Secretary of State, Mr. Knox, pronounced for a strong Far Eastern policy on the part of the United States, declaring that the Far East is part of the Pacific question and that the United States of America were opposed to the extension of Japan's sphere of influence on territory nominally Chinese. Mr. Knox forgot, as some people in our own country are apt to forget, that the right to "object" to the course taken by another Power is in exact ratio to one's own ability and determination to prevent that Power from taking it. The United States is still a negligible quantity in the Pacific, though they have great interests to defend there. Mr. Knox proposed the abandonment by Russia and Japan of their special position as to the Manchurian railways and the neutralization of those lines. Needless to say, he got no support for this futile suggestion, and its chief result was at once to unite Russia and Japan in the determination to maintain Manchuria as their own special preserve. Japan remembered resentfully the international intervention of 1895, which robbed her of the fruits of victory, and the pressure brought to bear on her at Portsmouth in 1905. Mr. Knox then proposed the construction of the Aigun-Chinchow line by an Anglo-American syndicate. Sir Edward Grey declined his support, and referred to the Anglo-Russian Notes of 1899, whereby Great Britain had agreed not to press for railway concessions north of the Great Wall. China, he said, should "consult" with Russia and Japan. By these Notes, it must be understood, Great Britain engaged "not to seek for her own account, or on behalf of British subjects or of others, any railway concessions to the north of the Great Wall, and not to obstruct, directly or indirectly, applications for railway concessions in that region supported by the Russian Government."

There is no real satisfaction in the "I-told-you-so" attitude where such grave issues are concerned, but the writer cannot but remember the years in which he, and others personally acquainted with the Far East, pressed vainly for the development of a definite line of British policy in that region. We are reaping to-day not only the direct results of the disastrous naval policy of the present Government in its early years of office, which is

responsible for the subsequent necessity for abandoning the Pacific, but also the indirect consequences of many years of neglect of British interests in the Far East. The water-tight department theory of our foreign policy could see no connection twenty-five years ago between British interests in China and our Indian Empire. To-day even the man in the street is aware that the growth of Japanese power has shaken our prestige in India, in Egypt, and all over the Pacific. Our alliance with Japan and our friendship with Russia must not blind us to the fact that they are pursuing a joint policy of territorial expansion in Asia, and at the same time embarking on an unprecedented naval expenditure which cannot fail to affect us. In the face of this, what is our policy to be? What is our policy, as directed by Sir Edward Grey, with regard either to the Near East, where Turkey and Persia are crumbling, or China, where the birds of prey are gathering over an expected carcass? Over and over again has it been repeated that the integrity and sovereignty of China are essential to our interests. Is it not time that we made up our minds as to what those interests are worth?

ARCHIBALD R. COLQUHOUN.

SOME ASPECTS OF CHINESE REFORM.

From The Nineteenth Century.

No more than a brief century of years has elapsed since the first faint stirrings of a new national life in the heart of Europe preluded the birth of a great Empire. On the 16th of March, 1813, a disunited Germany declared war upon France, and the titanic struggle for union and liberty was begun.

To the student of history in its more human aspects the analogy which may be traced between incidents of the twenty-five years immediately succeeding that memorable date in German history and the events of the last ten years which have culminated in the present crisis in the Chinese Empire cannot fail to prove of the deepest interest and significance.

Then, as now, the spirit of reform was primarily engendered in, and emanated from, what may be termed the student classes of the two communities. Indeed, it is but the natural and inevitable revolt of the sturdy arrogance of youth against the effete autocracy of age—as it is held to be; the determined opposition of a new and liberal school of thought to a venerable and time-sanctified conservatism. But there is this point of difference where the analogy fails. The first King of Prussia, a single German State, was crowned in 1701; the history of China as an Empire may be traced back for nearly three thousand years.

Student risings have ever been intimately connected with crises in European history, and Young China is, to-day, but following the path once trodden by Young Austria or Young France. In fact, at the present moment some subtle bond of sympathy would appear to subsist between China and Russia in those schools of political thought directly influenced by the more advanced of the younger generation.

The Reform movement in China has long since reached the point from which public interest in this country has begun to fail. The telegrams in the Press—at no time of any great value, save those from the honored diplomatist who represented *The Times* in Peking—are more and more abbreviated, editorial comments are becoming even less adequate, and little or nothing—except in the direction of comment upon the financial question—is done to stimulate public concern in events which are affecting the destinies of a people forming a quarter of the entire population of the world, and inhabiting a country more vast than the whole of Europe.

To that elusive individual, "the man in the street," this revolution appears to have differed but little from the recent upheaval in Portugal. He may, perhaps, quote the well-worn phrase, "The Awakening of China," but his perception of its true value is dim, and his recognition of the real forces at work and the effects which have already been produced is even more indistinct. Of the more human side of the movement, as distinct from the "alarums and excursions" of the opposing forces, he is curiously unappreciative.

From this introductory reference to the primal forces at work in China it is the writer's desire in the present article briefly to indicate two or three of the directions in which a line of social progress is being pursued, or is suggested; something of the debt which China owes to Western civilization; and, finally, to venture upon a suggestion in regard to the relationship between foreigners and the Chinese. With certain material questions such as the Army, Education, and the Drama he has dealt more fully elsewhere.

In the first place it must be borne in mind that the recent armed revolution has been by no means a great national rising on behalf of freedom, a revolt of an oppressed people against an autocratic Government. A review of the struggle will show that the rising has been confined almost entirely to the extreme eastern part of the empire and to the great towns and cities adjoining a line drawn diagonally between Kalgan in the far north and Canton in the south. Hankow, for instance, through which this line would pass, is no more distant from the seacoast than Inverness is from London. If a second line be drawn joining Hankow with Hangchow, which stands at the head of an inlet of the sea, the suggestive fact will be noticed that the country to the north as far as Kalgan and Peking is served with many ways of intercommunication, and such as are lacking in the interior. Apart from the River Yangtze, the Grand Canal, and many lesser waterways, an excellent railway connects Hankow with Peking, another runs from Hangchow *via* Shanghai, Nanking to Suchow (in the north of Kiangsu), and this also, with the completion of a strip of 100 miles at present under construction, will connect with Peking, *via* Tientsin. A branch connects this line with the German settlement of Tsingtau; and several other connecting links are projected.

This delimitation leaves at least three-fourths of the empire untouched, and, although a few isolated revolutionary centres are to be found therein, it is perhaps no exaggeration to suggest that five-sixths of the Chinese people have no concern whatever with the revolution, nor with reform of any kind.

With this large majority we are not at present concerned, although it would be of interest to dwell upon the extraordinary contradictions and inconsistencies, even in the most ordinary details of every-day life, between the Chinese in the coast towns and cities and those in the sleepy interior of the country. There roads are non-existent; inns are, for the most part, revolting hovels; bribery, corruption, moral degradation, infanticide, effete legislation, superstition in its worst aspects—all hold unlimited sway. Well may the most ardent reformer, Chinese or foreign, throw up his hands in despair. And yet in the eastern provinces, despite certain remarkable instances to the contrary, there is evidence upon every side of a breaking up of old traditions and of an influential progress in thought and action such as man, in Eastern or Western civilization, has never conceived.

II

The railway systems of China offer perhaps the most direct evidence of this progress. The first railway line, a very small undertaking constructed under British auspices and running between Shanghai and Woosung, was formally opened to traffic on the 30th of June, 1876, in face of the most determined opposition from the natives. This was exactly sixty-two years after Stephenson's first locomotive came into actual use in England. The line was temporarily closed, and was then sold to the Chinese at cost price, by whom it was subsequently shipped off to Formosa. Incidentally it may be added that the Chinese erected a temple upon the site of the old Shanghai terminus as a peace-offering to the Goddess of Mercy.

It was not until 1887, and consequent upon certain events in the Franco-Chinese War, that the necessity for railway transport was officially recognized. The following year a track of eighty-one miles was opened in the vicinity of the capital, and China possessed her first real railway.

The history of subsequent railway enterprise, of the rush for concessions and so forth, has been often related, and there is no need to enlarge upon the subject. There are now actually in operation in the empire 5,400 miles of railways, while plans are ready for an additional 14,000 miles. The systems fall roughly under five headings, and of these the Shanghai-Nanking system is, if not the most important, of the greatest interest.

This section, of 193 miles, serves what is perhaps the richest portion of the empire. Opened in March, 1908, the line is the best laid and the most admirably equipped of all the Chinese railways. Incidentally it is, so far as the writer is aware, the only system in the empire which publishes a balance-sheet. The passenger coaches would be a credit to any of our own larger companies, and it is a curious experience for the European traveller landing in Shanghai and proceeding up country to find himself being carried through uncivilized (!) China in so luxurious a manner, and served *en route* with excellent meals and wines.

Unfortunately this system has hitherto been worked at a loss, or at least without profit. The initial cost works out at the large figure of 17,000*l.* per mile; the capital charge per unit of traffic is accounted too high; and lastly, owing to the surrounding country being intersected by a network of navigable waterways, it has been found impossible to secure an adequate freight traffic. In this connection an interesting project has recently been initiated, by which certain trains are stopped at various points between stations to pick up individual Chinese bringing in vegetable produce, etc., to market. The scheme, which has met with considerable favor and success, may seem trivial enough to Westerners, but it is at least another step in the right direction of giving the Chinese what they really want instead of what we consider that they ought to want. On the other hand, it may emphasize the predilection of the natives for regarding a railway track as an excellent footpath or wheelbarrow route, and the metals as a convenient pillow for nocturnal slumber. In fact, the habit of coolies sleeping upon the line has become a positive nuisance to engine-drivers.

As an example of present-day Chinese workmanship the line of railway recently opened from Peking through the Nankou Pass to Kalgan may be cited. This was constructed and is supervised entirely by Chinese, the engines and rolling-stock being made locally. The embankment through the pass, eighty feet or so above the river, is in itself a triumph of engineering skill.

Although the ultimate prospects of railway enterprise in China are bright, present progress is very slow. A great deal of opposition on the part of the countryfolk is still encountered, especially on the Canton-Hankow line; financial conditions are most unsatisfactory, and although money is scarce there appears a decided aversion to negotiating any foreign loans. It would almost seem that China, even at this stage of her development, has not yet taken to heart the lessons which a record of lost opportunities should have taught her. Had the Imperial Government of fifty years ago given heed to wise counsel, China would to-day have been in possession of a network of effective railways. The vast mineral resources of the country would now be open to development, trade might well be flourishing, the frontiers would be served by strategic lines. Instead of applying her own natural resources to the present-day needs of the nation China has, perforce, to resort to foreign loans.

In concluding this necessarily brief synopsis of Chinese railway progress, reference may suitably be made to a work upon the subject recently published by M. Edouard de Laboulaye, and to the figures therein given of foreign capital already provided:

British	£16,660,000
German	6,833,320
French	5,600,000
Franco-Belgian	1,640,000
U. S. A.	1,500,000
Japan	267,280
Total	£32,500,600

III

Up to the close of the nineteenth century education, as the term is understood in the West, did not exist in China outside the immediate neighborhood of the mission schools. Such knowledge as was imparted was confined almost exclusively to the old Chinese classics. In 1905 an imperial edict was promulgated initiating an entirely new and comprehensive system, not only providing for the founding of schools throughout the empire, but also defining the courses of studies to be adhered to. To-day the study of English is compulsory, and this language has been adopted as the official medium in all scientific and technical branches. Although it is not well wholly to rely upon Chinese official returns, some figures published last December by the Ministry of Education may be quoted. In 1910 the number of schools in the empire, exclusive of those under the direction of foreign missionaries and private individuals, is given as 42,444, with 1,274,928 students. At the end of 1911 there was recorded an increase of 10,206 in the number of schools, and of 351,792 in that of the students. In comparison with the total population returns these figures may appear insignificant, but the period of working and other factors must be taken into account. Again, the number of independent establishments, such as those above mentioned, must be very great; they are, in many cases, most popular and claim a large attendance. Methods of teaching by correspondence have also been introduced in several of the largest institutions, and have proved thoroughly satisfactory. Indeed, it would not be surprising to learn that this system was the most popular of any. Old habits and customs die hard in China, and from these and other motives, such as economy, many of the younger generation are content to pursue their studies at home as their fathers and grandfathers did before them. The writer understands that representations have already been made to the Minister of Education with a view to securing for these home students the same privileges in the conferment of degrees as those enjoyed by men in the Government schools.

For the last ten years it has been the policy of the Imperial and of the more progressive provincial Governments to send abroad numbers of young students between the ages of sixteen and nineteen for an education upon Western lines. In September, 1911, the Government resolved upon an extension of this policy, and it was decided, by way of an experiment, to select from the various provinces a number of younger boys, from twelve to fourteen years of age, and send them to Europe and America for a period of fourteen years. They are there to pass through every grade of education necessary for the professions to which they intend to devote themselves. This experiment will naturally be watched with the closest interest, and one can hardly doubt that, in view of the beneficial results which have already been achieved by means of the former more restricted policy, the outcome of the new departure should prove even more startling than was anticipated from the arrival in England of J. M. Barrie's Scotsman "with a 300*l.* education."

It will thus be inferred that there exists a strong general tendency towards the adoption of up-to-date Western methods in the system of education. Indeed, the *volte face* which has so suddenly been effected by the decree that only those men who had received a modern, as distinct from the ancient classic, education would be eligible for educational posts is as remarkable in its way as the immediate suppression of opium by a stroke of the Vermilion Pencil. It is also worthy of note that the Chinese have now for the most part abandoned their former policy of acquiring a second-hand Western education from the Japanese, and appear to have decided that it is more advantageous to pursue their studies in Europe and America.

A digression on behalf of the much maligned foreign missionary may at this point be permissible. With the "religion" aspect of the question we are not at present concerned, but the writer suggests that the secular and educational side of the work has not hitherto received the recognition which should be accorded.

While it is unfortunately the case that a number of men and women who are thoroughly unsuitable and unqualified do go out to China as missionaries—the old principle of the youngest son of the family taking holy orders, or the failures at home being good enough for missionaries—still the educational work which is carried on by foreigners in the far interior is on the whole worthy of high praise. These men and women live under the most difficult conditions in isolated towns and villages, perhaps hundreds of miles distant from their nearest European neighbors, knowing that at any moment they may be the objects of a fanatical anti-foreign rising and suffer the most hideous tortures, with death as a merciful release.

Despite these facts they gallantly move forward along the line of progress, working for and with their little communities, converting perhaps, but teaching always. As a medium of popular education in China the missionary has proved invaluable. The people do not care a snap of the fingers about his religion, but they do desire to learn. And if they cannot penetrate the secrets of Western civilization and its power by any other means, they are quite prepared to listen to an exposition of the foreigner's religious doctrines and be converted—for the necessary period.

But modern education in China under the new conditions has, unfortunately, its unsatisfactory side. To anyone who possesses but a slight experience of Chinese official methods it will be a matter of no surprise to learn that in the purely native institutions the administration is too frequently notoriously lax—to use no stronger term. We are continually confronted with instances of men wholly unsuitable for the posts being appointed to the higher offices; and the iniquitous systems of "squeeze" is as potent as in every other Government office.

While such criticism must be levelled at the administrative side, the condition of affairs when we turn to the students must seem to a foreigner almost incomprehensible; were the matter not so serious it would be ludicrous. In a word discipline is for the most part nonexistent, and the teaching staffs appear to prosecute their duties entirly in accordance with the whims and fancies

of their pupils. Going "on strike" has been reduced to a fine art in many a Chinese school, and it has recently been asserted that during the last two years every school in Shantung, to name one province only, has been in that happy condition at least once. An authority on Chinese questions, writing in *The National Review* (Shanghai), gives an amusing description of the troubles of a schoolmaster in a native school.

The student [he says] lays down the law himself as to what he wants to learn and how it is to be taught. Having known nothing of discipline from his birth upward, he cannot be expected to develop it in college. If, therefore, his lecturers do not please him they can be boycotted. If he is not prepared for his examination, the examination must be postponed. If the questions are too hard two alternatives confront the unlucky examiner: he may withdraw them and issue easier, or he may "lower the standard required for a pass."

The students appear also to take a great deal more interest in politics than in their studies, and if interfered with simply refuse to attend school.

It is a curious condition of affairs, but there is no adequate reason to consider it as other than transitory, despite the present serious situation and the gloomy reports which just now are coming to hand from Peking and other centres. So much has already been effected in the course of the last six years towards the establishment of a sure foundation for a national educational system that if only the existing defects be properly appreciated adequate reform will surely follow. Indeed there is already evidence, from the report published by the Minister of Education four months ago, that many of these evils have been recognized. But in this, as in every other Department, the real crisis is probably primarily due to the financial deadlock. Once this is obviated it is not unreasonable to anticipate that, under the guidance of the Central Educational Conference which will be convened almost immediately, strenuous efforts will be made to pursue a policy of closer adherence to Western methods and models than has hitherto obtained.

IV

From the subject of education one naturally turns to that of books. Speaking generally—a most fatal habit where the Chinese are concerned—it may be said that up to the present the greatest demand for translations of European books has been in the direction of works of science and technology—"utility" books, as the class may conveniently be termed. Literature and art will follow, but just now the progressive Chinese are for the most part concerned with the theories and principles of Western dynamics—the secrets of physical as opposed to moral forces. As remarked above, English has been adopted as the official language in science and technology, and it will thus be apparent that as time goes on there will be less demand for translations.

A glance through the catalogue of works issued by one of the largest publishing firms in China affords interesting reading. The Commercial Press, Ltd., with head offices in Shanghai, employs some 1,500 workpeople and is run upon the most up-to-date of Western methods. The undertaking should prove the envy of many a large firm in this country. A sound system of profit-sharing, schools for the children, healthy surroundings and sanitary conditions—all are represented. This firm deals with a considerable amount of Government printing and newspaper work, but its principal output is concerned with textbooks of every kind. These are printed in Chinese or in English with Chinese explanatory notes, and the demand is astonishing.

The catalogue includes works by Shakespeare, Scott, Charles Lamb, R. L. Stevenson, Dickens, and other well-known authors. One of the most popular books is, appropriately enough, Carlyle's *French Revolution,* with works by Darwin, Rousseau, and Huxley close behind. The writer recalls the fact that one of his Chinese teachers often quoted passages from Chaucer, and one day shamed him into purchasing a copy of *Lord Chesterfield's Letters to his Son,* since the Chinese knew far more about them than his English pupil. *Peggy's Diary* was another favorite classic of this particular Chinese. Incidentally it may be remarked that the prices of these reprints range from 8*d.* to 3*s.* 4*d.*; also that the translations must be thoroughly good and scholarly, or the Chinese will have none of them.

A certain well-known and esteemed writer upon Chinese subjects has given it as his opinion that the present renaissance of learning is comparable only to the great revival in Europe which followed the taking of Constantinople by the Turks. Even in the far interior, where foreign influence has not yet penetrated, there is frequently to be found evidence of a keen desire for this new knowledge. The writer recently observed a pathetic little notice affixed to a ramshackle schoolhouse in a country village; the inscription ran, "English tote from A to G." The Chinese language, of course, possesses no alphabet such as ours, and the mastery of so many as seven English letters was evidently to be regarded with great pride.

V

And if China owes so much of her material progress to the lessons which the West has taught her, the question may well arise whether she has not the right to make further demands in regard to her future relationship with the peoples of the West.

For many years the foreigner has landed in China in ever increasing numbers, seeking a mart for his wares, anxious to share in the rich harvest of profits which is, he is assured, waiting to be gathered in. The present crisis has only served to strengthen his assurance. To-day, amongst all classes in Great Britain, the watchword is "China." Engineers, army officers, merchants, doctors, artisans and laborers, skilled and otherwise—all turn their eyes to the Far East. "The country of the future," they cry; "that is where the money is to be made."

Yes, it is true. China is the country of the future—*for the Chinese,* not for the foreigner. The day of the latter is passing, if indeed it has not already passed.

Lest so sweeping a statement be misunderstood, it will be advisable to devote some little attention to existing conditions and probable eventualities so far as the for-

eigner is affected. At the present moment the internal affairs of the empire are in a state of chaos; and it must be remembered, too, that apart from the actual armed revolution, with its disastrous effects upon trade and other activities, several of the great provinces have been experiencing all the horrors of one of the ghastliest famines which China has ever known. The distress has been rendered all the more acute owing to the financial condition of the Government. In April it was estimated that in North Kiangsu alone there were 800,000 people facing death by starvation, and that only about 10 per cent. of the suffering throughout the famine-stricken districts was being relieved.

It will readily be seen that any process of social and economic recovery must necessarily be extremely slow, and that the present is hardly the time for foreigners upon their own initiative to embark upon doubtful enterprises in the Far East. The day of the foreigner is passing, passing in so far as the mere potential acquisition of wealth, the concession of indeterminate rights, and the exploitation for his own ends of territory and people are concerned. And this assertion is made despite the reiterated statements of pessimists, in the Press and elsewhere, that China is now no more than a carcass around which the vultures are gathering. But there is need, and will be for many years to come, of men who are experts, not amateurs, in certain lines of work, and are prepared loyally to work with the Chinese, having ever in view the great future which lies before that nation. The recognition of this need, too, is fully shown by the nature of the speech delivered by the President Yuan Shih-kai to the Advisory Council in May last; by the recent appointment of Dr. G. E. Morrison as Political Adviser to the Government; and by the suggested appointments of Sir Francis Piggott and Professor J. W. Jenks, of Cornell University, in similar advisory capacities.

But while expert foreign assistance is needed, China has already acquired and utilized to good purpose an extensive knowledge of modern science and art. And this is a factor which is apt to be overlooked. An instance of such practical application will be found in the construction of the Peking-Kalgan Railway referred to earlier in this article. Another may be found in the reorganization of the Yun-nanese Army. This province will, in a very few years, be able to place in the field a force of 30,000 men—an army which, in discipline, in training, in equipment, and in war material will challenge comparison with that of any other nation in the world. The officers have studied the arts of war and organization in the best schools of Europe; the men, one and all, are imbued with that spirit of imperialism and implicit trust in their country's future which renders an army invincible.

If China has not for the moment acquired the right to a further deand upon the peoples of the West, the day is close at hand when she will not only demand but be in a position peaceably to enforce acceptance. And that demand will be for comity in the Council of the Nations. To-day she seeks but one little thing; one little gift, so easy to bestow and yet of such value—sympathy; and we should be proud in the realization that it is to Great Britain more than to any other nation that China looks for its bestowal. And in this connection two telegraphic despatches transmitted to Peking by His Britannic Majesty's Government at the close of last year would appear to deserve a wider publicity than they have yet received, for they undoubtedly in no small measure favorably affected the negotiations then pending:

From Sir Edward Grey to Sir John Jordan.

November 15th, 1911.

We have conceived very friendly feelings and respect for Yuan Shih-kai. We should wish to see a Government sufficiently strong to deal impartially with foreign countries, and to maintain internal order and favorable conditions for the progress of trade, established in China as a consequence of the revolution. Such a Government would receive all the diplomatic support which we could give it.

December 26th, 1911.

We desire to see a strong and united China under whatever form of Government the Chinese people wish.

Expressions of sympathy such as these are naturally highly valued, but Great Britain is a long way from China, and the Chinese from the nature of things desire some more practical and immediate token of understanding. To refer to one point only. It is the deplorable fact that no sooner does the Britisher or the German, or any other national, set foot in China than he is inclined to assume all the haughtiness and proud bearing of a feudal over-lord—a supreme being, as it were, looking down with majestic tolerance upon a world of Lilliputians.

But in China the exercise of *force majeure* is out of place. The British can win the respect of the natives, as indeed British merchants have ever done all the world over, by fair and just business dealings. But in ordinary every-day intercourse, in the street and in public generally, the contempt with which the foreigner so frequently treats the native is intolerable, and is very justly resented by the latter. It is a most commonplace incident for a foreigner in the Shanghai street to push a respectable Chinese off the pavement into the road, simply because the former will not trouble to walk a yard out of his way. And this in a settlement where Chinese and Europeans live side by side. It would be interesting to note the result if a foreigner adopted the same tactics in a town in the interior.

It may be urged that the Chinese have only themselves to blame for such treatment; that the foreigner has vivid recollections of past excesses, fanatical outbreaks, unspeakable tortures. The other side of the question is conveniently forgotten. It was Europe, or America, and not China, who was primarily the aggressor. And as for Western civilization, how few are the generations which link us with the Holy Inquisition of Spain, the barbarism of thumbscrew and rack, the "little-ease" and other ingenuities of the Star Chamber.

Germany owes no little of her commercial success in China not merely to a nice appreciation of Chinese requirements, but also to a friendly intercourse with the Chinese outside business hours. The Britisher prefers his club and his sports, and he loses trade in consequence. But the Germans as a nation are distinctly unpopular with the Chinese; the British merchant is always liked. If, therefore, from no other motive than that of patriotism it would seem desirable for us to adopt less insular methods and evince a genuine desire to meet our Chinese neighbors half-way.

It is unnecessary at this stage to emphasize the now universally recognized axiom that the future of the Chinese Empire is the concern of every great nation today. Modern civilization is thrusting upon that people of four hundred million souls not only those marvels of modern science and luxury which are part of our every-day life, but also the most terrible weapons of destruction that the brain of the man can devise. Modern civilization—Christianity if you will—has yet by precept and example to inculcate upon this Eastern nation, which in thought is as the Poles asunder from the West, those doctrines of forbearance by the observance of which alone can China achieve greatness.

A. CORBETT-SMITH.

THE CHINESE NATIONAL ASSEMBLY.

The following translation of the Bill organizing the National Assembly of China, is taken from the "Peking Daily News.":—

Article 1.—The National Assembly of the Republic shall be composed of the following two Chambers: the House of Senate and the House of Representatives.

Article 2.—The House of Senate shall be composed of the following members:

(a.)—Those elected from the Provincial Assemblies, ten for each province.

(b.)—Those elected by the electoral college of Mongolia, twenty-seven members.

(c.)—Those elected by the electoral college of Tibet, ten members.

(d.)—Those elected from the electoral college of Chinghai, three members.

(e.)—Those elected by the Central Educational Society, eight members.

(f.)—Those elected by the electoral college of Chinese residents abroad, six members.

Article 3.—The House of Representatives shall be composed of members elected by the people of the different localities.

Article 4.—The number of members of the House of Representatives elected by each province shall be proportional to its population, every 800,000 men being entitled to elect one member. But provinces whose population is less than 8,000,000 may each elect ten representatives. Before the census of the country is completely taken, the number of representatives elected by the provinces shall be as follows: Chihli 46, Fengtien 16, Kirin 10, Heilungchiang 10, Kiangsu 40, Anhui 27, Kiangsi 35, Chekiang 38, Fukien 24, Hupei 26, Hunan 27, Shantung 33, Honan 32, Shansi 28, Shensi 21, Kansu 41, Hsinchiang 10, Szechuan 35, Kwangtung 30, Kwangsi 19, Yunnan 22 and Kueichow 13.

Article 5.—The number of members of the House of Representatives elected by Mongolia, Tibet and Chinghai shall be as follows: Mongolia 27, Tibet 10 and Chinghai 3.

Article 6.—Members of the senate shall serve for the term of six years, one third to retire every two years.

Article 7.—Members of the House of Representatives shall serve for the term of three years.

Article 8.—The chairman and vice-chairman of each House shall be elected by the members of that House.

Article 9.—No person shall at the same time be a member of both Houses.

Article 10.—The session of the two Houses of the National Assembly of the Republic shall be opened or closed simultaneously.

Article 11.—The session of the two Houses of the National Assembly of the Republic shall be for a period of four months which may be extended as shall if circumstances make it necessary.

Article 12.—The business of the National Assembly of the Republic shall be transacted separately in each House. The same Bill shall not be introduced simultaneously in the two Houses.

Article 13.—The decision of the National Assembly of the Republic shall be by the concurrence of both Houses. A Bill which should be defeated in one House shall not be reintroduced in the same session.

Article 14.—Prior to the adoption of the Constitution of the Republic, the powers of the National Council provided in the Provisional Constitution shall also be the powers of the National Assembly of the Republic. But the following business shall be transacted by either House alone: (1) proposals, (2) interpellations, (3) demands for investigations into the charges against officials for bribery or for violation of law, (4) replies to inquiries of the Government, (5) the receipt of petitions from the people, (6) permissions for the arrest of its members, and (7) the adoption of its procedure and regulations. The estimated and executed budgets shall first be passed by the House of Representatives.

Article 15.—The quorum for each House shall consist of more than one-half of the total number of its members.

Article 16.—Questions in each House shall be decided by the consensus of opinion of more than one-half of the members present, and in case of a tie, shall be decided by the Chairman.

Article 17.—Article 19, clauses 11 and 12, and Article 23 of the Provisional Constitution regulating the presence of members and the number of members necessary for the disposal of affairs pending shall be applicable to both Houses. The provisions of Article 21 of the Provisional Constitution shall similarly be applicable.

Article 18.—Articles 18, 25 and 26 of the Provisional Constitution concerning the members shall be applicable to both Houses.

Article 19.—The annual expenses and other allowance of the members of both Houses shall be regulated by a special law.

Article 20.—The drafting of the Bill on the constitution of the Republic shall be by a committee consisting of an equal number of members elected from amongst the members of each House.

Article 21.—The constitution of the Republic shall be adopted by the two Houses sitting together. In the above joint sitting of the Houses, the chairman of the House of Senate shall be the chairman and the chairman of the House of Representatives shall be the vice-chairman; the quorum shall consist of two-thirds of the total number of members of both Houses and decisions shall be made by the concurrence of three-fourths of the number of members present.

Article 22.—This law shall be enforced from the day of its promulgation.

TRADE MARKS IN CHINA.

Among the many problems with which the Chinese Government is at present confronted, few, perhaps, are more pressing, alike in respect of foreign commercial intercourse and with regard to China's own industrial progress, than the question of trade marks. The matter, it will be remembered, was referred to in a letter from Mr. F. J. Norbury which was published in these columns on July 27. The letter was based on correspondence appearing in the "Municipal Gazette" relating to a proposed means of warning the public against the unauthorized use of a certain trade mark, and Mr. Norbury pointed out how in his opinion the formation of a local register of trade marks would not only prove inadequate to secure any protection for the owners, but would in fact be the means of setting a premium upon dishonesty. A register is, in point of fact, at present kept at the Customs. But it can scarcely be said to provide adequate protection against, or material for remedy of, clever and unscrupulous infringement. In these circumstances, the matter becomes one of far wider scope, and it is certainly surprising, in view of the immense possibilities of industrial and commercial development in the near future, that so little has been heard upon the subject in the interval that has followed the inauguration of the new form of government. It is true that as between the European business firms in China, there has been little need, up to the present, for legal protection and legal remedy. The goodfellowship that has prevailed amongst those who in business have been competitors is probably responsible for the existence of a system, or rather lack of system, which must, owing to recent changes, prove dangerous in the near future. Competition is becoming keener, not only on the part of European merchants among themselves, but also by the development of industrial enterprise which has already been witnessed in the case of Japan and is confidently predicted in that of China.

To all who have experience of the East, the ability of Chinese and Japanese workmen to copy a given product is familiar. Unhappily, that which is acclaimed as a virtue has also the possibility of developing into a vice, and the copying of trade marks in particular is a form of the art which has already done serious damage to many a European firm of high standing and must do more in the future unless steps are taken to increase the risk involved in imitation. A convenient starting point from which to examine the subject is the Trade Marks Act passed in Japan in 1905. Within very wide limits, almost any marks are accepted from Japanese merchants for registration in Japan, without, apparently, any serious attempt being made to ascertain their "original" nature. Following upon the effects of this act came the proposal by Japan in 1909 for conventions to be effected with Great Britain, the United States and France for the mutual protection of their registered marks. Only such marks were to be registered in China which were already registered in their country of origin, and thus by the convention Japan would have gained the benefit of many European marks which were registered in Japan but not in Europe. While the United States and France agreed to this suggestion, Great Britain argued that the protection referred to should cover all marks, devices, lettering, etc., which while constituting definite and distinguishing marks, were not technically "trade marks." This clause, known as the Herschell clause, stipulated the protection of the marks or chops used by British merchants in China which are classed as proprietory marks, under the provisions of the Merchandise Marks Act of 1887, rather than as registered "trade marks." This, however, was contrary to the essentials of the Japanese proposal, and in consequence the scheme fell through so far as Great Britain was concerned.

Since 1909, as has been said, competition has been growing steadily keener, and public interests, no less than those of individual merchants, require that some steps shall be taken to introduce order in place of chaos. It may be said that action by China herself is rendered difficult by reason of extra-territorial jurisdiction. That is so, so far as any Act which should be binding equally upon all traders in China is concerned. But this particular difficulty should not prevent the passing of a Merchandise Marks Act, which would protect foreign and Chinese merchants alike from imitation of their proprietory marks by the less reputable native firms. From the point of view of the public it would be necessary to provide penalties for the retailer who sells goods bearing a pirated device. The nature of the punishment might be influenced by the knowledge or ignorance of his offence on the part of the retailer, but this, it would have to be remembered, makes no difference to the loss sustained by the merchant whose device is copied. It would be necessary also, in order to avoid a number of conflicting rulings, to provide that a Chinese retailer should not escape by showing that his wholesale dealer could not be sued in his own Consular Court. The passing of such an Act would assuredly prove the most direct means of securing a solution of the problem. Separate conventions between China and the leading commercial nations or, in fact, any formal applications to Peking are, unfortunately, rendered impracticable for the time being by the fact that the Republican Government has not yet received formal recognition by the Powers. But while it is as yet impossible to bring direct pressure to bear upon the Government there is every reason why the question should be thrown open for the fullest possible discussion. As soon as formal negotiations become possible, no time will have to be lost by the European business community in China in argument as to the precise form of the request for legislation which shall provide for the protection of the legitimate interests of all classes and nationalities of traders.

SIX POWER GROUP AND THE CHINESE LOAN.

LONDON, Sept. 23.—A Peking dispatch to The Times says:

"The Chinese Government has informed the six-power group that unless 1,500,000 taels ($900,000) are advanced to-morrow to meet payments falling due on the 25th (the harvest moon festival) they will be compelled to avail themselves of an installment of the London loan. The six-power group will refuse an advance to-morrow on the ground that the Chinese proposals regarding terms do not suggest that negotiations for a comprehensive loan would lead to an agreement. Meanwhile the Chinese have withdrawn the installment, thereby apparently committing themselves to the London syndicate.

"The situation, therefore, indicates the imminence of a rupture with the six-power group. The promoters of the London loan declare their determination to proceed with the flotation in spite of the disapproval of Great Britain.

"Recently Germany found itself in an analogous position when the British and French Ambassadors called at the Foreign Office in Berlin and pointed out that the Diedrichsen Peking tramways loan for 8,000,000 marks, ($1,920,000,) if completed, would traverse the financial policy of the united powers in China. Germany thereupon informed the Messrs. Diedrichsen that it could not support the transaction.

"The firm, though warned of the danger of investing money without official support in a country whose future was uncertain, endeavored to float the loan but without success, the Berlin money market regarding the security as insufficient."

With reference to the security that the London syndicate can offer to investors, the correspondent says that although conditions in China are decidedly improved, there are many signs of weakness, and such stability as exists is largely dependent on the life of President Yuan Shi-Kai. He continues:

"In these circumstances the real security for money lent is the assurance of official assistance in time of need. Great Britain, having adopted a definite policy designed

to save China from future bankruptcy, cannot be expected hereafter to protect bondholders who adventure money in a manner calculated to defeat that policy.

"Meanwhile it is advocated that British representation in the group should be extended. The most important banking interests of France, Germany, America, and Japan are represented by their respective institutions in Peking, while Great Britain exclusively supports a single bank. It is admitted that the Hongkong-Shanghai Bank has a weighty claim to preference, but other members of the group suggest that participation by influential London banks would remove the present difficulty and enable the powers uninterruptedly to pursue their present benevolent financial policy toward China.

"They also question whether the conditions demanded from China might not be altered without affecting the principles laid down by the six Governments relative to expenditure and security. Those now sought to be imposed are so repugnant to young China as to imperil any Government which should accept them."

A PROBABLE CALL FOR MR. ROCKHILL.

WASHINGTON, Sept. 24.—It was declared at the State Department to-day that while the Chinese Government has made no formal request that it be lent the services of an American diplomat reports had been received here that the Chinese intended to do so, and the name of W. W. Rockhill was mentioned as the man desired in the capacity of diplomatic adviser.

Mr. Rockhill is now Ambassador to Turkey, where he was appointed Ambassador in April, 1911, while serving as Ambassador to Russia. He has had a long and distinguished service in American diplomacy and is especially well informed on matters concerning the Far East. His diplomatic service began in fact with his appointment in 1884 to be second secretary of the American Legation at Pekin after he had been graduated from the Military School of St. Cyr, France, and served three years as a Lieutenant in the French army in Algeria.

STATEMENT OF THE AMERICAN BANKERS.

Messrs. J. P. Morgan & Co., Kuhn, Loeb & Co., the First National Bank and the National City Bank, of this city, constituting the American end of the "six-power" group of bankers which offered the money to China, issued yesterday the following statement:—

"In view of the fact that the Chinese government has declined to accept the conditions upon which the British, German, French, American, Russian and Japanese groups, each with the approval of its respective government, were willing to undertake a loan, and has now contracted with other parties to issue Chinese securities, it is desirable that the followng facts should be made public:—

"The British, German, French and American groups, with whom China had in the past contracted numerous loans, were requested by the Chinese government in February last to finance the government's current administrative expenditures and the disbandment of troops, during a period of approximately six months, within which it was estimated that it would be impossible for the government to collect sufficient revenue to meet its running expenses, owing to the disturbed conditions following the revolution.

"The four groups were further requested to undertake the flotation of a loan of $300,000,000 to be issued during a period of five years, the proceeds of which were to be devoted (1) to the repayment of the advances above mentioned, (2) to the liquidation of arrears in loan services and indemnity payments, which had arisen from the Chinese government's inability to meet its obligation during the preceding four months and (3) to finance administrative reforms and to start a programme of industrial development.

"At the suggestion of the governments, and with the approval of the Chinese government, Russian and Japanese groups were invited to participate with the original four groups in these operations. It was therefore agreed by the groups concerned that they should co-operate in this business on a basis of absolute equality, thus precluding the possible domination of any one government or group in Chinese affairs.

"The governments were desirous that the groups should furnish a sum sufficient, with proper safeguards, to enable the Pekin administration to establish its authority and to restore normal conditions throughout the country. Owing to the unsettled conditions in China and the world-wide importance of the business contemplated, the groups deemed it necessary to act only in consultation with and subject to the approval of their respective governments. From the inception of the negotiations, therefore, the six governments and the six groups have been acting in full accord.

"Notwithstanding the fact that as the result of the revolution there was practically no stable central government, and that China had defaulted in the service of several loans, and had been obliged to request permission to suspend the Boxer indemnity payments, the groups were willing to finance the requirements of the Chinese government under conditions which the governments and the groups believed calculated, on the one hand, to restore Chinese credit and upbuild the newly organized republican government, and, on the other, to protect the prospective purchasers of Chinese bonds.

"These conditions were:—

"First, that the purposes for which the funds were required should be stated by the Chinese and approved by the groups.

"Second, that China should adopt a system of audit which would insure the effective expenditure of loan funds for the purposes specified.

"Third, that the salt taxes to be hypothecated for the service of this loan should be administered either by the existing maritime customs organization or by a separate service like the customs under foreign direction, thus safeguarding the proper administration of the security despite the possible continuation of recurrence of unsettled conditions in China.

"The groups appreciated that certain funds were required immediately and that a considerable time must

elapse before the Chinese government could prepare its programme for administrative and industrial reorganization. They desired, moreover, to be certain that each successive bond issue should be properly secured. The groups therefore proposed within the present year to issue a loan up to an amount of $100,000,000. They were prepared, furthermore, when funds were required by the Chinese government and when adequate security was available to take subsequent issues at a price to be ascertained by reference to the average net quotation in London of the immediately preceding series.

"In order to protect the bonds issued and the market for succeeding series and to safeguard the security therefor the groups, because of the magnitude of the contemplated operations, desired China to engage not to borrow from other parties until the reorganization loan was issued in its entirety.

"The groups, furthermore, desired China to appoint them financial agents for a term of five years, the period within which the Chinese proposed to issue the entire reorganization loan. The groups believed it to be in the interest of China and of the investing public that they should be in a position intelligently to assist the Chinese government in the preparation of its reorganization programme and to advise as to the expenditure of loan funds in such manner as to obtain its efficient operation.

"Between the end of February and the middle of June the groups advanced a total of about $9,000,000, to meet the pressing needs of the Pekin administration, which during this period was able to collect practically no revenue from the provinces over which it was endeavoring gradually to establish its authority.

"The conditions upon which the groups were prepared to make the loan were submitted to the Chinese government and were declined by it, not because of the financial terms, but because of the safeguards required by the groups to insure the proper expenditure of the loan funds and the effective collection and protection of the security offered.

"After the most careful consideration of conditions in China and the difficulties of the Chinese government, these requirements were deemed by the six governments and the six groups to be essential. On these terms a loan would have been considered by the groups to be a sound investment despite the provisional character of the Chinese government. But without such safeguards they would not feel justified in offering the bonds to the public. Neither were the governments willing to support, nor the groups to undertake, a loan which would so largely increase China's debt without insisting upon reforms which would enable her to sustain it."

CHEN CHING-TAO ON THE NEW LOAN.

That a $50,000,000 loan for the new Chinese Republic may have been negotiated through A. Wendell Jackson, the obscure American financier, by a syndicate independent of the six-power combine which originally contemplated a loan of $300,000,000, and proposed terms that were unacceptable to the administration at Peking, is considered altogether probable and possible, by Dr. Chen Ching-tao Chen, who was the first Minister of Finance in the Cabinet of the Republic of China. Dr. Chen, accompanied by C. C. Wang and F. Liang, arrived in the United States as a delegate of the Chinese Republic to the International Congress of Chambers of Commerce in Boston.

Little was known of the terms of the $50,000,000 loan, or the negotiations for it by Dr. Chen, further than what he had read in the newspapers. He said that he had heard of A. Wendell Jackson for the first time in London, though he remembered vaguely that an American financier, who may have been identical with Jackson, had acquired some concessions in China at the close of the Russo-Japanese war, from a Russian syndicate. He regards Jackson, however, merely as a negotiator, and confidently believes that the transaction for the $50,000,000 loan could have been easily made independently of the six-power combine unless the powers behind that combine should have taken steps to prevent an independent negotiation.

Dr. Chen seemed somewhat at a loss to understand why there should have been any doubt in regard to the possibility of a $50,000,000 loan to the Chinese Republic by a syndicate other than the six-power combine.

"Consider," he said, "what a small amount $50,000,000 is in these times. A loan of this size, with 5 per cent. interest, would be easily secured by the income from the salt gabelle, or salt tax, in China. You see, the income from the salt gabelle is 47,000,000 taels a year, or $32,000,000 in United States currency. After deducting the sums pledged for former loans from this amount of revenue, there is still left 17,000,000 taels, or about $11,000,000, which, it is evident, would secure not only $50,000,000, but as much as $300,000,000, when the loan extends over a period of forty or fifty years.

"Moreover, the Chinese authorities figure that an increase of from 30 to 40 per cent. in the salt revenue is likely to be made on slight improvement in its administration under the Chinese themselves. The salt revenue is not the greatest revenue, but it is the most convenient for the security of loans. The salt administration differs from the maritime customs in that the salt administration has ramifications into the interior of the big country, whereas the maritime customs are effective only along the coast."

According to Dr. Chen, it was the disbandment of the army alone and the strained condition of the finances of China following the period of transition from empire to republic, that had at all necessitated the obtaining of a loan. He stated that the new administration of the Celestial Empire had never sought to obtain a loan of $300,000,000, as there had been no immediate need for that amount. It was from the six-power combine that the suggestion came for a loan of such large proportions.

"Moreover," he explained, "one of the conditions imposed by the six-power combine was that an auditor-controller should be placed at the head of the Chinese Finance Department. This condition, if carried out, would have been an infringement of the sovereign power of the new republic.

"The Chinese only borrowed the money for purposes of

disarmament. At present they are maintaining seventy army corps, or, roughly speaking, about 700,000 men. The proposal is to disband forty army corps, which is equivalent to 400,000 men. And then after the disbandment of this number of men the administration will have sufficient funds with which to conduct the Government, for it would take only $28,000,000, or thereabout, to disband the entire 400,000 men and restore them to civil life. The maintenance of the standing army of 300,000 men will be less than $2,000,000 a month after the disbandment. Therefore, a great amount of revenue would be left for the purposes of the civil administration.

"I might add that the expenses incurred by the Central Government at present are much less than the expenditures of the Manchu dynasty. Reports of extravagance, on the whole, have little or no foundation. At present the administration's expenses, including payment of the soldiers under the control of the Central Government and the necessary expenditures for the administration of the civil Government at Peking, amount altogether to but little more than 5,000,000 taels a month, or, in United States currency, $3,500,000, which is almost 50 per cent. less than the disbursements made under the old régime.

"When order is perfectly restored there will be a revival of industry and commerce. It is practically certain that there will be an increase of prosperity over former times. The customs reports in China have shown a great increase for the last few months, greater even than in similar periods of former years."

Reports of coming prosperity in the Chinese Republic were brought also by Dr. Wang, who stated that the indications were for a bumper rice crop, as well as for a fine harvest of wheat and other grains. He explained that the millions of people in China, for a year at least, were thus insured against any serious famine, until the new Government could become firmly established. Then, he said, they would enter their greatest era of prosperity.

OPPOSITION OF THE BRITISH GOVERNMENT.

LONDON, Sept. 25.—Statements to the effect that nothing was said by the British government to the negotiators of the new Chinese loan in the nature of a prohibition of the loan is denied. It is learned that on the first intimation to the Foreign Office of the negotiations bearing on this loan the promoters were informed that if they proceeded with it they would be acting in direct opposition to the wishes and policy of the government, which would be compelled to protect the Chinese government against the transaction.

A statement on this subject given out by the Foreign Office makes reference to the instructions which the government recently gave to the British Minister at Pekin, Sir John N. Jordan, to oppose the loan. The United States and Great Britain co-operated in this opposition, objection to the loan being based on the belief that foreign supervision was necessary over the expenditure of loans granted to China.

The Pekin correspondent of the Daily Telegraph says it is probable that a preliminary contract between the Jackson syndicate, which is behind the independent loan, and the Chinese government for a new Anglo-Chinese bank will be signed to-day. The bank will bear the name of the Associated Commercial Banking Corporation and will have a capital of $10,000,000, equally subscribed by China and Great Britain. The head offices will be in London, with a directorate composed of an equal number of representatives of China and nominees of the syndicate. It will have a branch office in Pekin with a directorate similarly composed.

The bank will undertake to issue all sorts of bonds and will transact railway, mining and industrial business for the Chinese government, thus establishing a system of profit sharing. It is announced that there is no desire to take a monopoly and that if an additional $50,000,000 loan is required it is contemplated to give the refusal of this to other banks.

THE PUBLIC RECEPTION OF THE NEW LOAN.

LONDON, Sept. 30.—The issue of the "independent" Chinese loan last week was a failure as far as the public was concerned. Only about 40 per cent. of the $25,000,000 offered was subscribed for by the general public, so that the underwriters had to take up the balance of 60 per cent.

This apparent non-success of the public issue of the loan is ascribed by Charles Birch Crisp, the head of the syndicate, to the fact that many of the underwriters are actually large investors, to whom the issue of a big loan generally look for large subscriptions. In a statement on the subject, Mr. Crisp added that the number of applications, including those of the underwriters, was 5,860, and the amount asked for in these was $34,935,000.

The loan is quoted to-day at ¼ discount.

Mr. Crisp's associates say that the additional Chinese loan of $10,000,000 being issued in Hamburg has no connection whatever with the Crisp loan.

BERLIN, Sept. 30.—The German Government is inclined to disapprove strongly the issue of the $10,000,000 "independent" Chinese loan in Hamburg, of which the authorities first learned from the newspapers. The Ministry of Finance, which is investigating the matter, is doubtful of the success of such a flotation, although it is admitted that Government control is perhaps less effective in Hamburg than in other financial centres.

The Chinese legation here disclaims any knowledge of the loan.

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JOHN FOORD, Publisher,
78 Beekman Street,
New York City.

As this number of the Journal goes to press, there comes the news from London that China has reopened negotiations with the six-power group for a large loan. The banker through whose instrumentality, the ten million sterling loan was negotiated is reported as saying that the new negotiations will not affect his loan, as China wants enormous amounts of money to proceed with ordinary development. Elsewhere in this number will be found a summary of the most pressing liabilities of China. The amount of these is sufficiently large to demonstrate the necessity of making some comprehensive plan for the reorganization of Chinese finances, and the folly of trying to meet the demands of the situation by hand to mouth borrowing. It must be obvious by this time that the amount of money which China imperatively requires, cannot be had without some more solid guarantees for its careful expenditure than those which have been accepted by the London syndicate. Anything which tends to impair the credit of China must make the terms for future loans more onerous and exacting. Of course, the greater security felt by investors the higher will be the price that Chinese loans will command. There can be no international guarantee with entire absence of international control, and it is clearly as much to the interest of China as it is to that of her creditors that there should be some assurance that the large amounts which she must borrow should be honestly and profitably expended.

It is considerations like these which make the position taken by the provisional rulers of the Republic in regard to the emission of new loans, one of obvious danger. In trying to avoid the purely visionary peril of falling under the domination of foreign financiers, the men in power in Peking are running into the very real danger of placing themselves at the mercy of any combination that might find it advantageous to back a policy of financial adventure with its resultant default and foreign intervention. Of such a combination, the United States could not possibly form part, nor could any other Power which is honestly in favor of the maintenance of the integrity of China. The president of the Association emphasized at the annual dinner the confidence felt by Americans in the friendship of their Government for the new Republic of China, but he recognized, as the writer had already done in the annual report of the Association, the necessity of maintaining equally in regard to the loan and to the formal recognition of the Republic, entire unity of action among the Powers. Mr. Low is perfectly correct in his statement that public opinion in this country

is substantially unanimous in desiring the recognition of the Republic of China. But he gave proper weight to the reasons in the interests of China itself which would lead our Government to prefer to move in accord with the other great Powers, rather than to dissociate itself from them in a step so significant and so far-reaching. So also, as the Secretary of the Association states the case in his annual report, the Executive Committee feels entirely satisfied that no policy other than one calculated to maintain the integrity of China can find favor with the Government of the United States, and that adhesion to this policy by all the Powers can best be secured by a course of action which precludes any one of them from taking an important step without the consent and approval of the rest.

WITH the former Finance Minister of the Chinese Republic as the Guest of Honor at the annual dinner of the Association, and with Mr. Willard D. Straight the very intelligent and capable representative of the American group of bankers in connection with the six-power loan, as one of the speakers, there was some natural anticipation of the expression of divergent views in regard to the loan question. But both these distinguished gentlemen were careful to observe diplomatic proprieties, and neither of them let fall any expression in the least degree calculated to reveal the existence of any radically divergent point of view. Dr. Chen proclaimed his mission to this country to be one mainly concerned with the advancement of human progress—"to meet the great business men of the world in Boston, to discuss methods of promoting international trade, and to make arrangements for the representation of China at the Panama Pacific International Exposition in San Francisco in 1915, and so to help on the good cause of elevating art, science, and the civilization of all mankind." Dr. Chen also expressed his conviction that the people of the United States are the natural friends of China because of the fairness they have shown and the assistance they have rendered to his country. Mr. Straight pointed out that our Far Eastern policy had been based upon consistent friendship to China from the time when diplomatic relations were first opened with the Peking Government, and he dexterously avoided any reference to the unsatisfactory and decidedly unfriendly side of our immigration policy. He gave a very interesting sketch of the genesis of the $300,000,000 loan, and of the circumstances that brought the United States within the circle of the four-power group of 1909. He very tactfully pointed out that the principal problem confronting the young Republic to-day is that of finance, and that the American group of bankers acting in accord with the Department of State have endeavored to assist in its solution. The conditions upon which the bankers were willing to advance funds to the Chinese Government had been decided upon by the financial groups and approved by their respective Governments, only after long and careful deliberation. They were prepared with full and sympathetic consideration for the difficulties of the Chinese administration, and although no arrangement had yet been concluded, it was impossible to believe that a mutually satisfactory understanding would not be finally reached.

IN his opening speech at the dinner, President Low paid a well-deserved tribute to the disinterestedness of Dr. Sun Yat Sen. He said that while history afforded many illustrations of men, in exalted and in humble station, who had been willing to give their lives to their country, he could recall no incident so remarkable as that of a man in possession of supreme power voluntarily putting it aside in order to unite a great people by concentrating all power in other hands. Dr. Sun Yat Sen may perform an even greater service to his country should he succeed in disarming the provincial opposition to railroad building on a scale and according to a plan commensurate with the needs of China. Dr. Sun's plan is not precisely new, since it is very much on the lines of that submitted by His Excellency Tsen Chun-hsuan in a memorial to the Throne in 1909. Tsen's plan placed the center of the railway system of China at Peking, and included the provision of four trunk lines—Southern, Northern, Eastern and Western—with a system of branch lines tributary to each. Dr. Sun aims to develop a single comprehensive railway system for the entire country, such as would make possible the connection of the chief trading centers at once and leave room for future development. For the administration of such a system, a strong central board would obviously be necessary and that implies the existence of a strong central government capable of controlling the provincial governments, or at least of keeping them in their own place. That the National Assembly of the Republic will be able to lay a Constitutional foundation for such a government, and to pave the way for its success, must be the earnest aspiration of every sincere friend of China.

DR. SUN displays a somewhat ingenuous confidence in the ease with which money enough can be raised to build seventy thousand miles of railway in China, and has some rather crude notions about the way in which it can be accomplished. But he plants himself upon a fundamental truth when he declares his conviction that there is no better, or indeed no other way to save his country than to concentrate all its wealth, talent and power in the execution of a thoroughly planned railway system. Of course, the execution of this should proceed side by side with the development of the still latent agricultural and mineral wealth of China, and in full recognition of the fact that capital can be employed with equal profit and advantage in that enterprise as in furnishing the means for the cheap transport of the products of the field and the mine. Dr. Sun has been accused of forgetting this, although it seems probable that he has merely taken it for granted.

Exports of Domestic Cotton Cloths, Mineral Oils, and Wheat Flour from the United States to China and Hongkong, during the eight months, ending Aug. 31, 1911 and 1912.

EXPORTS TO CHINA.

Months.	Cotton Cloths.		Mineral Oils (illuminating).		Wheat Flour.	
1911.	Yards.		Gallons.		Barrels.	
January	5,667,644	390,359	3,915,380	180,847	58,188	210,766
February	3,854,800	222,309	4,423,824	210,643	124,428	456,053
March	7,857,697	486,439	13,340,540	797,484	34,372	131,015
April	4,443,697	286,346	13,889,920	872,772	49,158	185,742
May	12,837,965	860,882	13,275,702	902,967	11,880	46,483
June	14,000,083	960,016	10,657,551	778,634	645	2,579
July	11,063,600	788,798	15,882,570	1,148,524	1,631	6,490
August	8,680,440	625,749	7,827,602	537,398	21,926	79,752
Total	70,511,600	$4,779,024	83,213,089	$5,429,269	302,230	$1,118,880
1912.						
January	4,495,875	307,086	5,131,900	373,671	69,413	267,876
February	12,794,458	851,566	.....	.....	179,820	697,139
March	8,654,853	525,061	1,928,030	146,341	152,666	614,302
April	11,730,726	752,094	1,000,000	74,000	35,925	138,777
May	5,168,266	332,613	10,782,250	737,643	29,850	117,542
June	6,175,605	400,681	8,054,955	546,361	9,108	36,340
July	4,799,499	336,243	12,056,220	820,225	925	4,100
August	3,312,466	224,349	5,113,180	442,771	2,538	10,212
Total	57,131,748	$3,729,693	44,066,535	$3,141,012	480,245	$1,886,288

EXPORTS TO HONGKONG.

1911						
January	42,917	7,104	1,742,440	142,425	108,727	452,872
February	32,540	2,563	1,714,910	124,331	117,230	453,343
March	29,750	2,033	617,856	60,649	62,649	242,714
April	28,361	5,043	3,095,570	222,167	41,907	164,382
May	56,396	10,924	1,303,000	96,568	91,348	365,586
June	63,752	8,250	75,000	5,625	48,398	183,382
July	73,151	10,412	.....	.....	72,283	281,301
August	55,621	10,166	1,539,170	115,438	73,571	287,513
Total	382,488	$56,495	10,087,920	$767,410	659,176	$2,563,183
1912						
January	57,814	7,253	.....	.....	94,456	380,186
February	110,352	15,039	1,263,540	92,833	106,985	410,863
March	5,131	1,127	1,636,000	67,076	148,716	561,253
April	185,580	27,022	.....	.....	85,420	343,600
May	85,993	12,953	500,000	44,175	80,569	326,750
June	156,283	23,451	1,854,000	160,065	113,108	451,152
July	80,692	12,925	.....	.....	30,251	119,775
August	127,383	18,933	.....	.....	41,050	163,316
Total	809,228	$118,703	5,253,540	$364,149	700,555	$2,756,895

DEPARTMENT OF COMMERCE AND LABOR,
Bureau of Statistics.

WASHINGTON, D. C., October 14, 1912.

Imports of Tea and Silk into the United States for the eight months, ending August 31, 1910, 1911 and 1912.

TEA.

Imported from	1910. Pounds.	1910. Dollars.	1911. Pounds.	1911. Dollars.	1912. Pounds.	1912. Dollars.
United Kingdom	6,539,961	1,768,372	6,647,212	1,936,846	6,290,017	1,984,002
Canada	1,742,340	395,684	2,021,188	500,826	1,789,127	523,706
China	10,109,862	1,211,370	10,409,759	1,212,741	15,055,538	2,032,995
East Indies	6,415,081	1,047,076	6,922,006	1,154,869	9,203,688	1,531,808
Japan	24,484,988	4,599,856	29,071,232	5,305,034	21,859,353	4,150,374
Other countries	640,318	132,906	757,856	129,013	633,294	126,955
Total	49,932,550	$9,155,264	55,829,253	$10,239,329	54,831,017	$10,349,840

SILK.

RAW, OR AS REELED FROM THE COCOON. Imported from	Pounds.	Dollars.	Pounds.	Dollars.	Pounds.	Dollars.
France	256,961	745,831	182,357	620,731	59,037	208,655
Italy	1,892,215	6,922,025	1,462,732	5,622,025	1,573,996	5,738,893
China	2,677,532	6,431,335	3,465,258	8,555,832	3,302,902	8,153,947
Japan	7,299,701	23,887,889	8,243,624	28,420,248	9,680,384	30,995,997
Other countries	130,105	458,878	160,578	589,051	109,174	343,821
Total	12,256,514	$38,445,958	13,514,549	$43,807,887	14,725,493	$45,441,313

ANNUAL MEETING OF THE ASSOCIATION.

The fifteenth annual meeting of the Association was held in the rooms of the Chamber of Commerce of the State of New York on Thursday, October 24, at 3:30 P.M. In the absence of the President, Mr. Silas D. Webb occupied the chair.

The report of the Secretary was as follows:

SECRETARY'S REPORT.

The members of the Association have followed with a sympathetic interest the progress of the revolution in China, and the transformation of that ancient Empire into a Republic. But at no stage of the process have your Executive Committee felt impelled to volunteer advice to the Administration or to the Secretary of State, in regard to the formal recognition of the Republic of China. To have done so would have been to assume the possession of more accurate information than is in the hands of our Government, and to ignore the advantage of united action directed by a common policy on the part of all the Treaty Powers. Your Committee feels entirely satisfied that no policy other than one calculated to maintain the integrity of China can find favor with the Government of the United States, and adhesion to that policy by all the Powers can best be secured by a course of action which precludes any one of them from taking an important step without the consent and approval of the rest. While some of the friends of China among ourselves have taken exception to the tardiness of the action of our Government in recognizing the Republic, they have overlooked the fact that this deliberateness is in the interest of protecting China against foreign interference during the most critical period of the reorganization of its governmental structure. In other words, if the United States can secure from the other Great Powers respect for the essential principles of its Chinese policy by consenting to act with them in fixing the time for recognition of the new Government of China, it is doing the best possible service that it could render to the Republic.

The argument for making concerted action among all the Powers vitally interested in the future of China the guiding rule of the course of our Government, becomes all the stronger when it is remembered that the absence of recognition is in no way embarrassing to the constructive efforts of the men at the head of the existing Government of China. That Government has been able to borrow money for its pressing necessities on terms quite as favorable as if it were a Government de jure and not merely a Government de facto. The Consular and Diplomatic representatives of that Government throughout the world have found no difficulty in discharging all their necessary functions without a formal acknowledgment of their official position. When the edifice of a constitutional Republic in China is completed by the action of the National Convention a few months hence, and a government which has demonstrably the sanction of the representatives of the

Chinese people is fully organized, the United States may, with obvious propriety, take the lead in pressing for its recognition. Until then, it would seem to be a dubious service to the new Republic to insist that a somewhat dangerous diplomatic precedent should be created for its benefit. The policy of good understanding and general sympathy of view among all the Powers interested in the Far East, on which President Taft congratulated the world last December, is too valuable an international asset to be endangered by any action on our part that would require either apology or defense.

The same reasons which make it expedient that there should be unity of action among the Powers in the matter of recognition may be held to justify the support given by the Powers to the common understanding adopted by the International Groups of Bankers in regard to the terms on which money should be lent to China. While it is impossible not to sympathize with the desire of China to be mistress in her own house, it is equally impossible to ignore the disastrous results for China, no less than for her creditors, which might attend the corrupt or wasteful expenditure of the millions which are needed to discharge the overdue obligations, and to provide for the immediate necessities of the new Republic. It may seem little consonant with the dignity of a great Power to have to submit to foreign supervision over the expenditure of its public funds, but if China's chance of becoming a great Power at all depends on the aid of foreign capital, and if that cannot be had without the acceptance of certain guarantees that it will be expended only for necessary or productive purposes, it would seem to be a waste of time and effort to struggle against conditions submission to which is the first step toward their improvement.

Happily, the prediction hazarded by your Secretary last October has been fully verified, namely, that there was no reason to fear that foreign interests in China would be endangered by the success of the Revolution. The further prediction that there would be a higher standard of administrative responsibility, and the elimination of much of the corruption that had eaten into the heart of the government at Peking must be held to be in process of being fulfilled. Trade has suffered, of course, during the process of casting off the old to take on the new, and it is evident that there can be no established commercial confidence in China until its Republican rulers demonstrate their capacity to deal seriously with the great financial and economic problems on whose solution depend the future progress of the country and the welfare of its people. To no country should the Chinese be able to turn with a more assured confidence of sympathetic co-operation in the organization of their free institutions than to the United States, and nowhere can the function of interpretation and mediation be exercised more appropriately than here. Considerations like these have been constantly present in the minds of the members of your Executive Committee, and if their efforts in this direction have assumed no tangible form, it is because of the absence of a definite national policy in China itself. Such a policy must be largely shaped by events, and may be modified by the experience through which the government of China is now passing. In extending an invitation to Dr. Chintao Chen, former Minister of Finance, and now designated head of the new Department of Audit of the Chinese Republic, to be the guest of honor at the Annual Dinner of the Association, your Committee have embraced the earliest opportunity for conveying the greetings of the American people to an enfranchised China.

Acting under the instructions of the Executive Committee, your Secretary spent some time in Washington in the effort to promote the passage of the Sulzer Bill for the improvement of the foreign service of the United States by giving the force of law to the Executive orders which are at present the sole guarantee for the permanence of the merit sysem. The Consular Reorganization Bill which included the regrading of the Yokohama Consulate General also received such support as your Committee was able to bring to bear, and an earnest effort was made to secure part of the expenditure in Yokohama of the annual appropriation allowed the State Department for the erection of new buildings. The passing away of the Emporer of Japan was made the occasion of conveying on behalf of the Association a message of sympathy and condolence to his people. As part of the general expression of sorrow, to which the messages of the President and Secretary of State gave official form, the Japanese Minister of Foreign Affairs made a prompt and feeling response to the cabled sentiment of the Association.

Although the interchange of views between the Association and its affiliated organizations in Shanghai, Yokohama and Kobe is not so frequent or so full as could be desired, there is entire unity of purpose among them all and the spirit of cordial cooperation which has always characterized the American Asiatic Association of Japan continues in unabated vigor.

TREASURER'S REPORT.

The following is a summary of the report of the Treasurer:

The last annual report dated October 14, 1911, showed funds in hand of.....		$1177.13
Since that date there has been collected in dues from members.....		2065.00
Total		$3242.13
Disbursements to October 22, 1912...	$2220.73	
Balance in the National Bank of Commerce	1021.40	$3242.13
The arrears of unpaid dues amount to	$ 380.00	

OFFICERS ELECTED.

The Nominating Committee submitted the following report and, on motion, the Secretary was directed to cast a single ballot on behalf of those present for the entire ticket:

NEW YORK, October 23, 1912.

The undersigned, appointed a Nominating Committee to report a ticket for officers of the Association to be elected for the coming year, beg to submit the following:

For President: Seth Low, New York.

For Vice-Presidents: Lowell Lincoln, New York; Theodore B. Wilcox, Portland, Ore.; S. G. Hopkins, Washington, D. C.; John B. Cleveland, Spartanburg, S. C.; F. Hellyer, Chicago, Ill.; Ellison A. Smyth, Pelzer, S. C.

For Treasurer: William S. Brown, New York.

For Secretary: John Foord, New York.

For Executive Committee: Class of 1915—Thomas A. Phelan, New York; Silas D. Webb, New York; Charles A. Conant, New York; I. Osgood Carleton, New York.

For Executive Committee: Class of 1913—(to fill vacancy) Louis L. Seaman, New York.

JAMES R. MORSE
ALBERT CORDES
JAMES DONALD

Nominating Committee

FOURTEENTH ANNUAL DINNER OF THE ASSOCIATION.

The fourteenth annual dinner of the Association was given at Delmonico's, Fifth Avenue and Forty-fourth street, New York, on Saturday, November 2d, at 7 P. M.

His Excellency, Dr. Chin Tao Chen, President of the newly-created Board of Audit of the Chinese Republic was the guest of honor of the occasion. Dr. Chen was accompanied by Dr. Ching-Chun Wang, Associate-Director of the Peking-Mukden Railway.

The chair was occupied by Mr. Seth Low, President of the Association.

At the Speakers' table were seated the following:

President Seth Low,
Dr. Chin Tao Chen,
Willard D. Straight,
Thomas Sammons,
Prof. J. W. Jenks,
Dr. C. C. Wang,
Liang Luen Fang,
Rev. Dr. Reese F. Alsop,
S. D. Webb,
Charles K. Edmunds,
Charles A. Conant,
Louis L. Seaman,
John Foord.

The occupants of the other tables were as follows:

TABLE A.

W. H. Stratton,
E. P. Thomas,
G. C. Scott,
W. P. Fedder,
F. Meyers,
John Hughes.

TABLE B.

W. H. Taylor,
H. M. Mackenzie,
James S. Alexander,
George M. Dodwell,
John Hubbard,
Charles D. Palmer,
H. T. S. Green,
Gen'l T. H. Hubbard.

TABLE C.

Y. Numano,
R. Ichinomiya,
Daniel Warren,
L. E. McChesney,
Jonathan Kilbourn,
William H. Stevens.

TABLE D.

Edward L. Young,
Dr. Joseph Struthers,
M. Coster,
Y. Katsura,
Ralph D. Mershon,
K. Mikami,
H. Tsutsumi,
G. A. Harris.

TABLE E.

R. C. Veit,
W. R. King,
H. A. McGee,
C. M. Higgins,
C. F. Meyer,
Henry Fisher,
Martin Carey,
W. H. Libby,
James Donald,

TABLE F.

F. W. Stevens,
John L. Wilkie,
Francis Bartow,
S. L. Selden,
F. H. Reed,
E. G. Adams.

TABLE G.

Robert Christie,
D. R. Aldridge,
Thomas N. Myrick,
Herbert N. Lloyd,
William Baxter,
William E. Peck,
William Skinner,
George L. Hooley,
George M. Dunlop,
Alan MacFarlan,
H. St. I. Webb,
Leonard S. Webb.

TABLE H.

Herbert L. Griggs,
W. E. Leigh,
G. W. S. Patterson,
Edward H. Patterson,
Joseph R. Patterson,
James W. MacBride,
Frederic M. Brown.

TABLE I.

George G. Ward,
W. Grigor Taylor,
Thomas A. Phelan,
George Nichols,
James Thomson,
C. A. Green,
E. P. Smith,
E. P. Smith's Guest.

TABLE K.

Lewis Cruger Hasell,
Milton G. Psaki,
Albert Cordes,
Arthur O. Probst,
W. T. Westcote,
George H. Eypper,
Thomas S. Main.

TABLE L.

W. A. Burns,
R. H. Blake,
R. H. Goodwin,
W. E. Winchester,
Edward Tomes,
W. F. Stevenson,
H. Bruce Shute,
W. J. Marsden.

TABLE M.

Otto H. Hinck,
William F. Lotz,
William H. Smith,
James C. Hoe,
Ira B. Downs,
Oliver Andrews,
George F. Mahe,
George H. Hutzler.

TABLE N.

C. M. Brooks,
C. M. Brooks' Guest,
F. D. Waterman,
W. I. Ferris,
James O. Winston,
Jules Breuchaud,
George H. Sampson.

TABLE O.

H. T. Smith,
A. P. Dewehr,
C. Howard Metz,
J. D. Armitage,
Joseph T. Lilly,
John B. O'Reilly,
M. R. Jacobs.

MENU

Grape Fruit with Maraschino

SOUP

SHERRY PEMARTIN — Clear Green Turtle

SIDE DISHES

Celery Salted Almonds Olives

FISH

Fillet of Bass, Mornay au gratin
Potatoes Persillade Parisienne
CHABLIS — Sliced Tomatoes

REMOVE

Saddle of Canada Mutton
G. H. MUMM'S SELECTED BRÜT, 1899 — Cauliflower with Cream

ENTRÉE

Fresh Mushrooms under globe

Brandy Sherbet

ROAST

Breast of Guinea Hen, Zingara
BORDEAUX, ST. BRIZ — Endive Salad

DESSERT

Fancy Ice Cream

Cakes

APOLLINARIS — Cheese

LIQUEURS — Coffee

CIGARS

TOASTS

"The President"

"The Great Republic of China"

PROPOSED BY HONORABLE SETH LOW
President of the Association
RESPONSE BY DR. CHIN-TAO CHEN

"American Friendship for China"

RESPONSE BY HONORABLE WILLARD D. STRAIGHT

"American Interests in the Far East"

RESPONSE BY HONORABLE THOMAS SAMMONS
Consul-General of the United States
at Yokohama, Japan

"The New Day in Asia"

RESPONSE BY PROFESSOR JEREMIAH W. JENKS

THE ORDER OF SPEAKING.

The Divine Blessing was invoked by the Reverend Dr. Reese F. Alsop.

Address of HON. SETH LOW, President of the Association.

The American Asiatic Association is certainly fortunate in having with it on this occasion as the Guest of Honor, a representative of the great Republic of China, in the person of Chintao Chen, the head of the new Department of Audit. It is quite impossible for us, as a body of Americans especially interested in China, adequately to express our pleasure in receiving this distinguished man as a representative of the Chinese Republic. The Government of China has represented to our minds for so many centuries the now alwost extinct type of an oriental despotism, that it is as difficult for us Americans as it is delightful to think of the people of China as having undertaken the sublime and inspiring task of self-government. Dr. Chen will easily believe me when I say that nowhere in the world will greater sympathy be given to the Chinese people in this new departure than they will receive from the people of the United States, their fellow republicans of the great Republic of the West. You will all pardon me if I take advantage of this opportunity to point out why it is especially pleasing to me to be the spokesman of the Association in giving this greeting to Dr. Chen. (Applause). Fifty years ago, when the United States still had a Merchant Marine, my father owned a clipper ship which was called the "Great Republic." I suppose it was named in honor of the United States,

but it had one peculiarity about it which makes me think that perhaps, prophetically, the ship was named also for the great Republic of China. It was the first deep sea-going vessel of which I know to be built with four masts, thus permitting, as you will perceive, an even division of its motive power between the two Republics. If the ship had been constructed as such vessels usually were, with three masts, it would have been impossible, as you will perceive, to divide the honors equally between the great Republics on each side of the Pacific! (Applause).

I spoke a moment ago of the fact that China had for so long represented to the western mind the idea of oriental despotism. Those of us who have known anything about China, beneath the surface, have perfectly understood, on the other hand, that there is and always has been in China a very considerable development of local self-government, and it is upon this foundation that the Republic of China may hope to build. I speak with some diffidence, in the presence of our distinguished Guest, of what after all I know comparatively little; but my belief is that China, like other countries, will find one of its greatest problems arising out of economic and perhaps other differences between the North and the South. Our own Republic is a witness to the serious misunderstandings which may come out of differing conditions in territory covering many degrees of latitude; and I think I am right in saying that the Kingdom of Italy illustrates somewhat the same proposition. It was long before Piedmont and Calabria were able to work together, and my impression is that the difference in economic interests of Northern and Southern Italy creates a more or less permanent political division within the Kingdom. It is not surprising, therefore, to learn that one of the first problems which confronted the new Republic of China, even in its birth throes, was to harmonize the men of North China and the men of South China so that they could be united in a common purpose and a common aspiration, and also in a common method of seeking to realize their mutual aims. At this juncture the people of China were most fortunate in having at the head of the provisional Republic a patriot of the quality of Dr. Sun Yat Sen. (Applause). History affords many illustrations of men, both conspicuous and inconspicuous, who have been willing to give their lives for their country. But I can recall no incident so remarkable, where a man in possession of supreme power has voluntarily put it aside in order to unite a great people by concentrating all power in other hands. I suppose it to be true, beyond all controversy, that if Dr. Sun Yat Sen had striven to hold on to the power which was actually his, there would have been awakened at the outset a conflict between the South of China and the North of China, the weakening consequences of which it would be impossible to predict. Evidently no man appreciated this more keenly than Sun Yat Sen himself. With a self-forgetfulness that has made him immortal, he stepped aside in order that Yuan Shih-Kai might become the head of a united Republic; and thus the first and greatest chasm which threatened to divide China and make a united Republic impossible, was filled in by the self-sacrifice of Sun Yat Sen, who, like a modern Quintus Curtius, closed the breach by leaping into it himself. The world may say that, in things pertaining to a Republic, the Chinese are inexperienced; but in the world will also admit that a nation capable of creating a character like that of Sun Yat Sen has in it capabilities for self-government, to the possibilities of which no wise man will undertake to set a limit. I am sure that I express the sentiment of every man here, when I say that Sun Yat Sen deserves to be remembered, not only as a Hero of China but as one of those great world heroes whose names mankind will never willingly let die. (Applause).

It is not a function tonight to discuss the question of the official recognition of the Republic of China by the Government of the United States. We Americans are so sure of the friendship of our government for the new Republic, and so confident of the universal recognition which the people of the United States have already extended to the Republic of China, that we are content to await, if need be, the timely action of our government in connection with the governments of the other great world powers. China needs no assurance of the friendly attitude of the United States of America; and China will not forget that it has been under our leadership that the preservation of the governmental entity of China, and the preservation of the "Open Door" in China for commercial intercourse with all nations, have been accepted as the guiding policies of the great powers. It is as evidently desirable that this unity of attitude should be maintained, so long as it is a unity friendly to China, as it is evidently desirable that the unity between the North and South of China should be maintained if the new Republic is to be enduring. The United States may well be content to move more slowly than it would move if it were not associated with other powers, as long as it is persuaded that the other powers will move with it when the unquestioned time for movement comes. It may be taken for granted, I am sure, that the influence of this country is constantly at work in favor of the recognition by all the powers of the Republic of China. In saying these things, I am not speaking with authority. I know nothing whatever of the question as it presents itself to the Government of the United States. I am only speaking as a man who does know something about public opinion in the United States, and who perfectly understands that public opinion in this country is substantially unanimous in desiring the recognition of the Republic of China. I perceive, however, at the same time, that there may be reasons in the interest of China itself which would lead our government to prefer to move in accord with the other great powers rather than to dissociate itself from them in a step so signficant and so far reaching. Of this, at any rate, I am confident, that I may assure our distinguished Guest this evening, not only of the good wishes but of the heartfelt prayers both of the company present and of the millions of the American people scattered all over the land, for the perpetuity and success of the great Republic of China. (Loud Applause).

Toasts having been drunk standing to "The President of the United States," "President Yuan Shih-kai," and "The Great Republic of China," Dr. Chen, who was received with long and loud applause, made the following response:

Response by DR. CHINTAO CHEN.

Gentlemen of the American-Asiatic Association:

I have first of all to thank you for the honor you have done me this evening, and cannot but express my feeling of gratitude. I especially feel so because the American-Asiatic Association has for its object the promoting of friendship and the cultivation of a better understanding between this country and the Far Eastern countries. (Applause).

My mission this time has not a different object; I came here not for diplomatic hagglings, such as to define whether the authority to appoint or dismiss the leading officers in a territory, such as our Tibet, is suzerainty or sovereignty; nor did I come here for financial negotiations, pleading that a pound of flesh is not the proper security for a pound of gold; but I came here to meet the great business men of the world in Boston, to discuss methods of promoting international trade, and to make pre-arrangements in the Panama Pacific International Exposition in San Francisco, to help on the good cause in elevating arts, science, and the civilization of all mankind. (Applause). For these purposes I have traveled from East to West, and from West to East again. Twice across your Continent, and

wherever I have gone, I am happy to say that I have received the same warm-hearted welcome and sympathetic response to the idea of high calling from all our American friends.

These incidents, together with the most cordial relations between our two countries in the past, cannot but make me believe that these two nations are natural friends, and that as Providence has ordained, we will in future work hand in hand to advance the civilization of all mankind. (Applause).

We know that you are our natural friends because of the fairness you have shown and the assistance you have rendered us. As early as President Tyler, he declared in his well-known letter that, "in the trade relations between the two countries, let there be no unfair advantages to either side." (Cheers). Your famous Burlingame assisted us to have a proper place among the Treaty Powers; your John Hay saved us during the ignoble Boxer movement, invoked by the ignorant Manchu Royal Family; your present Government initiating the policy of concerted action by all Powers in China has prevented the much-feared intervention during our revolution, and even many of you here at the table tonight have done a great deal in helping or awakening us. To these, I may especially mention Professor Jenks who taught us the necessity of currency reform, and Mr. Willard Straight who is accredited with the idea of neutralization of railroads in Manchuria. You have been friends to us in the past and present, and we believe you will also be our friends in the future. (Loud applause).

But the two words, Friends and Future, fill me with ideals and expectations. If you believe man is above all animals, we must show that we do better than animals; and if you believe that friends are above other fellow men, friends must do better than other fellow men. Man must surely be above animals and even above the plane set forth in the theory of natural evolution and survival of the fittest, for if we merely entrusted ourselves to the care of the theory of blind force of nature, many human institutions would not have existed, the world today would not suit us to live in, and the word "Civilization" would not have a place in the dictionary.

But friends, it is a surprise to see that in this time of intense internationalism most of us have not yet realized that the standard of morality set forth in dealing between nation and nation is far behind that between individual and individual. Being glad to make some little sacrifice of one for the benefit of another has long been commonly found among individuals, and naturalists tell me that this act is even found among animals, but in the case of nations, abstaining from robbing others property and violating others rights is now considered the highest moral standard! The reason for such difference is undoubtedly due to the long and intimate contact between individuals but not between nations; but conditions have now changed and a new era has come. The triumph of science and mechanical arts over time and space makes the nations today touch one another more intimately and frequently than individuals of fifty years ago, and the moral standard of dealing between nations of today ought to be raised to that between individuals of the last fifty years. (Applause).

Gentlemen, in this most favored land and in the land where your forefathers came by the Mayflower to seek freedom to do their duties to God, and many other high ideals, I believe I can find most supporters in the above ideal, and universal brotherhood, chivalrous magnanimity for struggling weaker nations, and support for the oppressed and wronged all over the world will be not mere advocation but realization. (Loud applause).

"AMERICAN FRIENDSHIP FOR CHINA."

Response by HON. WILLARD D. STRAIGHT.

It is a very great privilege to be permitted to respond to the toast "America's friendship for China." It has been my good fortune to pass the greater part of the last twelve years in the Far East, most of the time in China; in Peking, in Manchuria and again more recently at the Capital. I have followed the stirring events which have taken place with the keenest interest, and have had the pleasure of knowing personally, and in some cases intimately, the men who have played the most important parts. Like Dr. Chen Chin Tao, whom we are here to honor this evening, most of these men have been educated in the United States. They speak our language. By this I do not mean that they have a knowledge of English. They have mastered a far more difficult tongue—"American."

Mr. Davison, who should have responded to this toast this evening, but who unfortunately, for your sake, was prevented from being present, tells a story of a dinner given by the German Banking Group last year in Berlin, at which Dr. Chen was also present. He found himself seated at the table between the Chinese Envoy and a distinguished German banker, whose knowledge of English, though effective, was spasmodic. Mr. Davison, awed by the magnificent silk robes of his right hand neighbor, turned to his German colleague and conducted a broken conversation, dreading the moment when he would be obliged to attempt to address the Minister. There was a lull in the conversation. He toyed with his knife and fork in apprehension, when a voice demanded "Can you tell we who is pitching for Pittsburg this year." It was the Chinese Minister, Sir Chen-Tung Liang Chen, who won for Andover Academy one of its most famous victories over Exeter, and who pitched for the Amherst nine.

The incident, it seems to me, was significant. An immediate bond of sympathy had been established between these two men, and while it may be too much to say that a similar bond exists between our two great nations, with their countless millions, who never have, and never will, come in contact with each other, I believe that it may be honestly said that where Chinese and Americans have met in business, in finance or in diplomacy, their relations have been characterized by friendliness and mutual confidence.

That China believes in American friendship, would seem apparent from the fact that she has sent so many of her sons to this country to be educated, that she has turned to the American Government so frequently for advice, and that she has now, largely inspired by our example, adopted a republican form of government.

The subject upon which Mr. Davison was requested to speak, and with regard to which I am attempting to address you, however, "America's Friendship for China," is one perhaps which might more appropriately be enlarged upon by Dr. Chen than by myself. He will I trust pardon me, if, undeterred by my innate American modesty, I endeavor to make a case.

Since diplomatic relations were first opened with the Peking Government the Far Eastern policy of the United States has been based upon consistent friendship to China. An interest in, and a friendship for, China has been inherited by many of the leading men of this country, whose forefathers, like those of your distinguished President. The Honorable Seth Low, for years were engaged in what was then known as the China trade, when American clipper ships made records around the Horn and bore their rich cargoes back and forth through Eastern Seas.

As a result of the mutual trust and confidence established in those early days, the Hon. Anson Burlingame, one time American Minister to Peking, was commissioned by China to visit the United States and the countries of

Europe on her behalf. The Hon. John W. Foster, was invited by the late Li Hung Chang to assist him in the negotiations with Japan at the conclusion of the Chinese-Japanese War. In 1904 also Dr. Jenks was invited by the Chinese Government to visit Peking to discuss Chinese currency reform. These were proofs of China's friendship for us, founded, you will agree, upon our friendship for China.

American policy was in the autumn of 1907 enunciated by President Taft, then Secretary of War, in his Shanghai speech, which you will all remember. The American Government desired, he declared, to see a strong self-sufficient prosperous China, with an administration capable of developing the resources of this wonderful country in the interests of her splendid people. During the four years of his administration the President has conscientiously endeavored to give practical expression to the policy voiced in his Shanghai speech.

It has been the object of the American Group to carry out the wishes of the administration in this respect. When Tang Shao Yi came to the United States in the autumn of 1908, as Special Ambassador to render thanks for the remission of the Boxer Indemnity and to arrange for the education of Chinese students in this country which the remitted funds were to finance, he laid before Mr. Root, then Secretary of State, a proposal for a loan of $300,000,000, which was to be utilized for a programme of industrial development, for currency reform, and to finance the Chinese Administration during the period which it was thought might elapse following the abolition of likin and prior to the completion of arrangements for an increase in the customs tariff. Mr. Tang desired an international loan in which he wished the United States to take the lead. This matter was brought to the attention of American bankers, with the authority of Mr. Root and the sanction of President Roosevelt, but it was necessary temporarily to abandon the project owing to the dismissal of His Excellency Yuan Shih Kai from the high office which he then held in Peking.

Following his inauguration President Taft and Mr. Knox, however, became keenly interested in this matter and the Department of State desired as soon as an opportune moment should arise to reopen the question of customs revision and likin abolition, as well as currency reform, in accordance with the stipulations of our Commercial Treaty of 1903. With a view to taking up the proposed loan at the proper time, the American bankers who had been interested continued closely to follow the situation.

In May, 1909, it became known that the British, French and German financial groups were about to conclude an agreement, to be secured on provincial revenues, for the construction of the Hukuang Railways, i. e., the lines from Hankow into Szechuan and from Hankow to Canton.

The Department of State held in trust for American capital the promise of the Chinese Government that if any foreign money were required for the construction of the Hankow-Szechuan Line one-half should be secured from American and one-half from British capitalists. The fact that internal taxes, upon whose abolition the contemplated increase of the Maritime Customs tariff depended, were being pledged as security for the new railway loan, directly affected the fulfillment of the engagement which the Department of State had made to assist China in obtaining from the other Powers their consent to customs revision.

In order, therefore, that the United States might be entitled to a practical, and not a merely theoretical, voice in the anticipated negotiations regarding the increase of the customs tariff, as well as to assure to American manufacturers a share in the profits of Chinese railway construction and the business arising therefrom, it was essential that American capitalists should participate in the Hukuang Loan. The Department of State laid the matter before the bankers already interested in the loan proposed by Mr. Tang Shao Yi and the American Group was organized, creating an instrument which it was hoped might enable the Administration not only to further the interests of American trade but effectively to assist China in obtaining the consent of the Powers to the customs revision she so greatly desired.

You are all familiar with the story of the loan negotiations carried on during the past three years. You are aware that the American Group secured a contract for a loan to construct a railway from Chinchou, on the Gulf of Chihli, to Aigun, on the Amur River, and you are familiar with the history of the neutralization proposals advanced by Secretary Knox as the most practical method of removing Manchuria from the sphere of international jealousy and of assuring to China the development of this rich territory in accordance with the terms of the Portsmouth Treaty. You are aware also that an agreement was concluded in November, 1910, whereby the American Group was to co-operate with the British, French and German Groups, and that this combination contracted with China for the Hukuang and Currency Loans. In the latter transaction the American Group was in the lead. After lengthy discussion in London last summer, in which China was ably represented by Dr. Chen Chin Tao, and the American Group by Dr. Jenks, both of whom address you this evening, the Chinese programme of currency reform, the credit for the preparation of which is due almost entirely to Dr. Chen, was examined and approved by a committee of experts.

It was hoped that this great work might have been initiated last autumn but China embarked upon a reform of far greater significance than that of reorganizing her currency. During a few brief months the oldest empire became the youngest republic in the world and to-day many of the men who, as subordinate officials, were responsible for the progress which had taken place in China during the ten preceding years, are placed at the head of affairs.

The principle problem confronting the young republic to-day is that of "finance." In its solution the American group, acting in accord with the Department of State, has endeavored to assist, but the conditions upon which we were willing to advance funds to the Chinese Government have not, up to the present time, been found acceptable. These terms were decided upon by the financial groups, and approved by their respective governments, only after long and careful deliberation. They were prepared with full and sympathetic consideration for the difficulties of the Chinese Administration and while at the present time no arrangement has been concluded, we cannot believe it will be impossible to come to an understanding which will be mutually satisfactory.

It will be admitted, I think, that John Hay did a great service to China when he induced the Powers to accept his "open door" doctrine. The arrangement was a political one, brought about by what it was feared might be the territorial designs of some of the Powers on China and adherence to the "open door" necessitated a new definition of rival interests in China in financial and commercial, no longer in territorial, terms, and the mutual forbearance of the Powers thus secured was very largely responsible for the preservation of the integrity of the Chinese Empire at a time when it was unfortunately not able to protect itself.

The present arrangement under which the Six Governments are acting in harmony, though based on an agreement between banking groups, is nevertheless of inestimable value to China. If this understanding be-

tween the Six Governments and the Six Groups can be maintained, and if China is willing to invite the co-operation of these associated interests, John Hay's diplomacy will have borne fruit, for through this financial combination China may find protection because of the restraints imposed upon each member thereof by the necessities of joint action.

It is possible nevertheless to understand that many patriotic Chinese see in this combination, and in the loan terms which it has asked, a menace to the sovereign rights of the new republic.

We believe, however, that this fear is based either on a misconception of the objects of the combination or upon a lack of appreciation, not only of the real dangers by which the Republic is confronted, but of the means by which these perils may best be averted.

We believe that in the United States there exists a real friendship for China and a sympathy with the aspirations and ideals of the young republic. We believe there is a sincere desire on the part of the Administration, and on the part of those of us who are here to-night, to assist China to a realization of those aspirations. And if I may be pardoned for saying so, I believe that the American Group has in these loan negotiations been the instrument of the Administration in endeavoring in friendship to China to induce her to follow the course best calculated to secure the end which we all desire. We have felt in this matter a heavy responsibility which we have not believed it possible to discharge by encouraging financial transactions which, while expedient, did not seem calculated to assure the construction of that broad and sound foundation which we believe essential to the successful upbuilding of Chinese credit.

"AMERICAN INTERESTS IN THE FAR EAST."

Response by HON. THOMAS SAMMONS, AMERICAN CONSUL-GENERAL AT YOKOHAMA.

Billions of dollars in trade and hundreds of millions in population is a thought that is frequently associated with the Far East.

The great population of the Orient is increasing very rapidly and will continue to do so even more rapidly as the disease enemies of untimely death are overcome. The total commerce of the Far East is practically doubling in every ten years, but what particularly concerns the business interests of this country is the happy thought that we are steadily closing up the long lead that other commercial nations have heretofore enjoyed.

From 1880 to 1912 our annual sales to the Far East—including Australia and the Philippines—went from eleven and one-half to one hundred and seventeen and one-half million dollars.

At the same time, our imports from that part of the world advanced from sixty-five to two hundred and twenty-five million dollars. And yet these rough bulks of approximate results represent only about seven per cent. in imports and about eleven per cent. in exports of the grand total of commerce of the Far East. What we have secured, however, constitutes an excellent start. It is a good prospect in the Far Eastern four billion dollar trace mine. (Applause.) The known possibilities of this trade are alluring. America leads in gaining new business there (Applause), and yet only a small percentage of our producers are seriously interested in the trade of the Far East. When we assume, moreover, that about half of the commerce of the Far East is inter-oriental, trade carried on between the respective countries of Eastern Asia, America's share already gained as compared with what we may call the leading Western commercial nations, is a highly important consideration in our foreign trade relations and reflects great credit upon our manufacturers, our skilled laborer and the active and efficient American exporter.

If we place our total trade with the Far East, both export and imports, at say three hundred and forty million dollars we find that upwards of one-third of the total is represented by Japan. And yet Japan possesses but a comparatively small part of the total population represented by the Far East. Japan, Australia, China and the Philippines, are our chief Far Eastern customers, but aside from the Philippines and Australia, we buy from the Far East far more than we sell; in fact, we are Japan's best world customer, buying as we do twice as much as we sell, and Japan's exports to the United States being about one-third of the sum total of its entire sales throughout the world.

However, our exports to Japan are at present increasing at a phenomenal rate, the increase during the past year being about five thousand dollars per business hour, or a total of nearly fourteen million dollars. Japan during the same time increased its sales to America, resulting in a total approximate increase in the commerce between the two countries of eighteen million dollars. This unprecedented increase resulted largely from a careful study of trade conditions in that country and in applying up to date American business methods.

Therefore, in seriously considering our commercial interests, generally, throughout the East, it becomes necessary to study prevailing conditions and to apply our most approved methods. Long range business methods, and by this I refer to attempting to do any extensive business by correspondence, ordinarily flatten out, except in certain special lines. And yet the aggregate sales by mail order and correspondence methods is of growing importance. This is particularly true as regards the Japanese, many of whom are actively seeking new business in this way. (Applause.)

However, the man or firm having direct representation, either through responsible exporters in this country or importers having established headquarters in the Far East, or those who are able to maintain special representatives in that territory, meet with more than average success in suitable lines. But to succeed in any permanent sense, this Far Eastern trade must be followed up, year in and year out. It will not do to attempt to merely utilize this market as a dumping ground in dull seasons and to forget it and neglect it during prosperous times at home. In the meantime, Far Eastern trade conditions have developed a class of American business men who are as reliable as the American goods they represent. Both are constantly gaining strength and winning favor because of a growing reputation for reliability. They can be depended upon. This reputation is worth millions of dollars to American commerce.

Another cause for rejoicing is the fact that the foremost American business men who are seriously interested in building up trade in the Far East are giving more attention to meeting the wants of the customer in that part of the world. In supplying hundreds of millions of Oriental people they find that it pays to make the size, shape and color of the package conform to the ideas of the ultimate purchaser. And I am glad to find that some of our wide awake American exporters practically place a premium on recognition of this policy in that manufacturers who are willing to pack our products as our Oriental consumer wants them packed (not as the manufacturer may imagine they should be prepared for shipment) are given the most desirable orders. It pays to study the Oriental trade conditions and apply up-to-date American business methods. (Applause.)

And where duly qualified American business men, after careful consideration, seek Far Eastern trade favors in suitable lines they almost invariably succeed. My experience warrants the assertion that they have no equals in

International trade marts once they are determined to obtain and hold available trade. They are resourceful, capable and reliable. During the past few weeks it has been a great pleasure, as well as a highly valuable experience, to meet personally many of the leading manufacturers of this country who contribute to swelling American trade in the Far East. I have found them anxious to study the actual commercial situation and eager to participate further in desirable trade possibilities. Considerable surprise has been expressed at our unprecedented increase in exports to some parts of the Far East, particularly to Japan, and inasmuch as the opinion seems to prevail in some quarters that foreigners, generally, are not to continue in evidence in the Far East once the native becomes familiar with trade manipulation, I will refer to the population of Yokohama.

Yokohama has increased its population over one hundred and twenty-five thousand in ten years and is now near the half million point. It is Japan's chief commercial port, but its native population has not increased as rapidly in proportion as the foreign population. The latter did not double in ten years, but it went from about fifty-seven hundred in 1901 to approximately ten thousand in 1910; and while the Americans of Yokohama did not quite double their population during the above period, the Germans did; and the British who have had a larger representation than any other foreign nation aside from the Chinese scored a healthy increase of nearly fifty per cent. (Applause.)

It is true, however, that a number of foreign commercial houses are disappearing from the Far East. Still on the whole the foreign houses are doing more business in the aggregate than in the past, but so far as statistical data can be applied with reasonable reliability in a matter of this kind, it is apparent that the native business man is rapidly increasing the percentage of the grand total that is handled by him, particularly in Japan.

Speaking more particularly of Japan where I am located at present, American trade conditions are highly satisfactory. Our sales to Japan are increasing as never before, and Japan's exports to this country are steadily advancing. (Applause.) Our Pacific Coast manufacturers and exporters feel that certain reductions may well be made in the Japan tariff on certain of our products, and in a similar sense the Japan Captains of industry desire a reduction in our tariff on a number of their products. In matters of this nature and in promoting trade generally, our diplomatic and consular officers, as well as American business men co-operate in the endeavor to bring about such results as are calculated to promote trade as well as to foster cordial relations. The American business men of the Far East have by long practical experience become highly expert in the consideration of such subjects, and they co-operate intelligently and effectively with the official representatives of their country. (Applause.) As a matter of fact, in promoting cordial political relations, the consular and diplomatic service is called upon to play an important part in the affairs of nations outside of the sphere of international commerce. Speaking personally, I mav say that my experience in China during and following the Russo-Japanese war, and subsequently in Korea during the reign of the late Prince Ito as President General, and still later in Japan, has fully convinced me that a large percentage of trade possibilities follows upon the heels of the good and cordial relations of all parties concerned. (Applause.)

In travelling throughout the Far East, from Sagalein through Japan and Korea (Chosen) to the Philippines, and from Hong Kong and Canton across the Chinese Empire to the Yangtse, Peking, Mukden, Harbin and into Siberia, Americans generally are found to be seriously interested in the peaceful occupation of extending American trade and furthering friendly relations. (Applause.)

In those far away countries, Americans find the allied bodies of this parent American Asiatic Association to be the rallying point for the voicing of American interests and sentiments as well as for the promotion of American trade. (Loud applause.) Through the medium of this parent organization and its JOURNAL they are provided with means of securing a hearing and the fair and impartial exchange of views that deeply concern them. (Cheers and cries of "Hear! Hear!")

In addition to the American Asiatic Association of Yokohama, a similar organization has been formed at Kobe, and the further extension of these allied organizations beyond those already established and the participation therein by all Americans residing in the Far East will provide an additional means of uniting our countrymen in aim and purpose and in strengthening them for effective organized effort. (Applause.)

When assigned to Yokohama three years ago, the local American Asiatic Association was most cordial in its reception to me, and in the subsequent entertainment and introduction to the American residents which followed in due course. (Applause.) And when I lift there recently, that organization representing the American community not only repeated its felicitous procedure but took occasion in true Yankee fashion, after numerous highly complimentary expressions, (D. H. Blake, Esq., President, as spokesman) to make a practical business statement from which I beg to read two brief paragraphs, as follows:

"While we do not wish to interfere in any way with your well deserved holiday, we still hope that you will find it possible to attend to some official duties in connection with the new consular buildings for Yokohama. This is a subject which is of particular interest to the members of this Association and to all American residents in Japan. Its committee has exerted such influence as it possesses in the furtherance of this scheme and it will continue in the good work. (Applause.) We want a building here commensurate with the importance of our country, and we know we can rely on your efforts to assist in the accomplishment of this greatly to be desired object. We also believe that we can count on your co-operation in furthering the friendly relations between this country and our own. Business men here realize the great importance of keeping on friendly terms with the people with whom we work and among whom we dwell. (Loud applause.)

It will be seen that the Yokohama branch of the American Asiatic Association found it desirable to call upon this Association for assistance, and I am confident that I only voice the sentiment of all the Americans within my jurisdiction when I say that they appreciated the prompt co-operation of this parent organization. (Loud applause.)

This is but one of numerous instances where an American community through the medium of its local branch of the American Asiatic Association of New York has sent out a call for help and has rejoiced in receiving prompt attention and assistance. (Cheers.) but further effort is required, and inasmuch as the Japanese government has donated to the American government one of the most desirable and valuable business and consulate sites in Yokohama—a site now valued at from one hundred and fifty to two hundred thousand dollars—it is earnestly hoped by all interested Americans that without delay, consistent only with other pressing and imperative necessities, the required appropriation may be made. Yokohama is one of the foremost gateways of the Far East and of the world, and suitable consular buildings would add much to the prestige of our country and satisfy the national pride of all visiting Americans.

"THE NEW DAY IN ASIA."

Response by PROFESSOR JEREMIAH W. JENKS.

A few years ago I happened to meet one day in the capital at Albany one of the State Senators. A friend of mine who happened to be with me introduced me to the Senator, saying, "This is Mr. Jenks, Professor of Politics." The Senator looked at me rather pityingly and as it seemed to me, slightly contemptuously, and said, "You theorize on politics I suppose. Here we do politics. I am very glad to meet you." I question somewhat the entire sincerity of the last remark; and the fact that a Professor and a teacher so often meets with a similar reception from practical men has often led me to ask my friends to address me as Mister. That is title enough for me. But of late for the last few weeks the teaching profession seems to be looking up so that I am getting somewhat comforted after all as I think of my regular business. I wish to disavow now and permanently any political ambitions in this country. (Laughter.) But there has been after all a certain advantage with reference to this special talk that I have to make this evening from my being a member of the teaching profession.

For a good many years now I have had in my classes year by year young men from the Far East, from Japan and China, so that I have been able to judge, and judge accurately as a teacher may who meets men from day to day and tests them as to their intellectual capacity, what are the intellectual and cultural gifts of these young men of the Far East who have the shaping of their country's destinies in their hands within the next few years. I speak perfectly sincerely and frankly when I say that of all of these young men that I have known, I have known not one who has been any disgrace to his country in any way either in character or ability or diligence or readiness to do his full duty. There have been differences in intellectual gifts. They have practically always been above the average, and often of the very highest excellence. We may look for good things in the future from young men like that, because after all it is not the wide reaches of territory nor fertility of the soil nor the richness of the mines of a country that makes that country great, but its men. (Applause.) These young men of the Far East I know have in them the power to build great nations.

Mr. Straight has referred to the fact that a year ago it was my privilege to sit in conference with a representative of the Republic of China, and with a few of the leading monetary authorities of Europe. Sir David Barbour, representing the English government, is beyond all question, one of the very first authorities on money in the world. To him perhaps more than to any other single man was due the successful reform of the Indian currency. Mr. de Foville representing France is a member of the Institute, and one of the leading economists of the present day, a man of vast experience and distinguished scholarship. The representative of Germany, Dr. Dernburg, likewise a man of high rank, was formerly Minister of the Colonies and is a recognized authority not merely on that subject but on business, on banking, and an authority on the Far East as well. But after we had been in conference for a few days, I remember Sir David saying to me, "The representative of China here is distinctly a younger man than any of us, but when it comes to ability or knowledge of his subject, he is the peer of any. (Applause.) And if I were to express my own opinion I should have added, "And when it comes to detailed knowledge of monetary systems and monetary history, he is distinctly the superior of us all." And that man is our guest of the evening, Dr. Chen. (Applause.)

A few years ago in Manila I was talking with a representative of the United States Government regarding some contracts that had been let for building wharves and retaining walls along the bank of the Pasig River. One of the leading contractors was a Chinese, and this official told me that after the contract had been let it had been discovered that there were a good many new conditions of the soil, with reference to the obstacles that had to be met, that had not been known before, and from the nature of the case could not have been known to either party. The consequence was that the contractor was bound to incur a heavy loss. It seemed so manifestly unfair that when the conditions could not have been known by either party this man should lose, that our government offered to release him from the contract or to modify the terms so that he would have a reasonable pay for his work. But the Chinese contractor said, "I made this bargain fairly; it is a distinct contract; I may lose money this time, but a man should stand by his bargains. Whether I lose or whether I gain I will accept no change in the contract." (Applause.) That is the spirit of a citizen of this new Chinese Republic, and when we find citizens with those business ideals and with the intellectual abilities that I have spoken of, we may very well hope for good things from China. (Applause.)

I think any of us who have been in China have been impressed with what we would call the good sense and cool judgment and reasoning powers of any Chinese whom we met. Even the Chinese coolies, the ordinary working men, have a logical sense that it has often seemed to me is most unusual and most hopeful when one is thinking of every-day citizens. Dr. Chen has referred to the difficulty of the English language. I recall very well something that occurred one day with my Chinese "boy" which illustrated to me, not merely the difficulties of the English language, but also the logical good sense and acumen of the Chinese people. One day when I came in to lunch—we had been out on a boating trip—I found that the "boy" had made out the bill-of-fare for lunch, and on this bill-of-fare, I read the words "Pork Feet." The next time I met Liu I said to him, "Those pigs' feet were excellent. I want to call your attention to the fact, however, because I know you are ambitious to know English, that we don't say regularly 'pork feet': we say, 'pigs' feet.'" He thanked me. The next day I found on the bill-of-fare "pigs' chops." (Applause and laughter.) The English may have been a little weak but the logic was sound and I felt that I took a little more pride in my "boy" than I should have done if he had simply memorized things without thinking about them as he had been doing.

Reference has been made, and very properly, to the difficulties that there have been between China and the other powers in negotiating loans or in the conduct of other matters. At times distrust has arisen, and I think it is not at all strange that there should have been distrust. I suppose all of us would say without any hesitation that China has perhaps had some reason to distrust the motives of the different foreign nations that have dealt with her for the last twenty or thirty years. (Cries of "Hear, Hear" and applause.)

Under those circumstances whenever we propose anything, or whenever any of the foreign nations propose anything to the Chinese Government, we must expect that it will be scrutinized with a great deal of care, and it is not at all unnatural if in that careful scrutiny they take perhaps a critical attitude that we know from our own feelings, (because we know our motives) is not justified but at the same time it is most natural. So, too, I have no doubt that there have been things that have happened in China in business dealings, more particularly, however, in governmental affairs, that have

perhaps justified members of some of the foreign nations in occasionally distrusting some of the promises of the Chinese government; so that it is not at all unnatural, although often unjust, when we hesitate to take without perhaps somewhat unnecessary guarantees some of the statements that are made to us. This distrust is most unfortunate at the present time, but there is one way for us to get over that, and only one way. That is by associating with one another so intimately under the new conditions that we shall know one another better and that we shall be able to judge more and more what the real motives are that are influencing us in all of our transactions one with the other.

This knowledge of America that the Chinese are getting from so many of them coming here as students, as business men, as representatives of their government, cannot help, I think, but be very helpful indeed so far as removing these sources of misunderstanding; and on the other hand, the increasing number of Americans that are going continually to China for travelling, for study, for business, and otherwise, are leading them to see more and more of the good things, of the hopeful things that are in China. These dinners of this Association, this work of the members of this Association, its publications —everything of that kind is tending to remove this lack of knowledge, and in consequence to remove these sources of distrust. As we look ahead to what is coming in the future, I think that we can be perfectly sure that with the men on whom the destiny of China is resting, such men as they are in ability and in character, China is bound to go forward by leaps and bounds.

I had a Chinese student come to me about a week ago saying that he wanted to make some study of American conditions that would be of particular benefit to China. He said, "I find that when Chinese students come over here, the American Professors as a rule like to give them a Chinese subject. Now our people at home say that is very good for American Professors, but it doesn't help China, because the Chinese student tells the American Professor all about China, but we Chinese know all about it anyway. I find that my people at home would like to have us learn something about American questions and American problems that would be of direct help to us at home. What can we do in that line?"

I thought that a very sensible remark, and another sign of the good sense and good judgment of this young Chinese. I puzzled the matter over for some days and finally this thought occurred to me, that the conditions existing in China now parallel very closely the conditions existing in this country at the formation of our Union under our Constitution. We had been most disorganized in the days of the Confederation. We had our separate states pulling one against the other, jealous one of the other, the central government not able to control, the central government dependent upon the different states which it could not coerce for its revenue and for carrying on the work of the central government itself, and we know that we had almost nothing to look ahead to unless we could get together in some way under some central government. Europe expected us to fail. China likewise has its different provinces; they are jealous of one another, they are jealous of their central government. We know that the attempt is measurably succeeding to give the central government more of a unifying power and to bring that country together so that it can act as a unit, and thus deal more effectively with the great questions that affect the country as a whole. That is a problem which China has similar to our earlier problems, and it seems that China might very well learn from our earlier history, and that the knowledge of our situation under like conditions may be very helpful. So I said to this young Chinese student, "I think it would be very useful if you would take Alexander Hamilton's famous report on the public credit, in which he laid down the fundamental principles of financial success in any country, study it carefully, analyze it thoroughly, find out the conditions under which that recommendation was made, and then see how far those suggestions of Alexander Hamilton in those early days may be applicable to present Chinese conditions. Think out other things along those lines, because those fundamental principles are right. That will be a subject which will give you knowledge of American history; it will give you a very good knowledge indeed of some of the fundamental principles of finance, and that knowledge may prove to be of decided benefit to your country, because your country has those very difficult problems to solve, and you need all the hints that you can get." And he has taken that subject.

I hope there will be something come out of it.

When we think of these points that I have spoken of, especially of these young men, of their opportunities, their ambitions, their ability, we may look ahead to the future of China with great hope. We started a very much smaller nation than China is now; on the whole a much poorer nation, a much weaker nation, with even worse credit than China has ever had in its worst days, and we are rather proud of our success now. One hundred and twenty years ago, as we look back, we did not amount to much. If we look ahead one hundred and twenty years, what may we not hope for China! (Applause, long and continued.)

THE CHINESE LOAN SITUATION.

From The North China Daily News.

The loan situation is now attracting all attention, especially in view of the apparent success of the new syndicate in committing the Chinese Government to a course of action which would preclude it, in ordinary circumstances, from dealing with the Six-Power Group, at least for some time to come.

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The poverty of the Chinese Government, and the insistant demand made upon it from all sources have had the effect of making it clutch at whatever sums came its way, regardless of consequences. At present money stands to the Republican Government in the same relation as food to the famine-stricken; there is not the least consideration whether the food is wholesome or unwholesome or poisoned. Added to that, there are the go-betweens who compare "this picture" and "that": whether China would submit to the "preposterous" terms of the Inter-national group or take money offered to her on terms which would in no wise infringe on her "sovereign rights."

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The Anglo-Belgian loan is of so recent a date that the details of it are still within the memory of those who followed the negotiations. That syndicate also paid an advance of £1,250,000 to the Chinese Government as soon as the agreement was signed. That amount was found without the least difficulty, without even the public know-

ing that amount had been paid until it was paid in two instalments. Further the Anglo-Belgian syndicate made no pretence of saving China from the "tyranny" of the Sextuple Group; it simply wanted to participate in loans on terms that would suit China and its bondholders. The reasons for its withdrawal from the field after paying the advances are too well known to need repetition; and there are not a few who believe that the operations of the London syndicate will have a similar result.

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By placing the treasury bills on the market for the first advance of £500,000 the London syndicate would appear to have proved either that it has no financial strength or that it has not confidence enough in the Chinese Government to risk a certain amount—as the Sextuple group has done—before the formalities in connection with the regular flotation of the bonds are completed.

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The obligations that China is bound in honor to liquidate the moment she obtains money from any source are as follows: First of all, Tls. 12,000,000 advanced by the Sextuple Group from February to July, on the distinct understanding that the Chinese Government would sign the loan with them, including this sum in the total amount for which the loan is signed. The Chinese Government gave the banks treasury bills, due at present, and at the exchange fixed the total works out at £1,750,000 sterling. Secondly, there are amounts due to the shipbuilding firms in England and the United States for works executed by them on orders given by the Manchu Government but completed during this year. In the list of their outstandings furnished by them to the Sextuple Group the Chinese Government have £700,000 against this item.

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Thirdly, there are the Hupeh and Nanking loans of about £300,000 each given by the banks to the Viceroys of the two provinces on the authority of Peking during the Manchu *régime*. These sums have been overdue for some time, and as the new Government has undertaken responsibility for all the past obligations must be paid the moment it obtains funds. Fourthly, there are two loans contracted at recent dates on the understanding that they would be repaid as soon as China signed the big loan. The Diederichsen loan of Mks. 5,000,000 and the Carlowitz loans of Tls. 6,000,000 come under this category. Part of these amounts was received in cash, although the major portion consisted of amounts due on arms and ammunition supplied by these firms during the revolution.

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Fifthly, the Skoda loan contracted with Arnhold, Karberg & Co. during the revolution, the moiety of which was received in cash and the rest in the shape of arms and ammunition, amounts to about £450,000. Sixthly, as the currency loan was floated by members of the Group, and as it is not likely to be floated by them if the present arrangements are continued, they will be entitled to demand repayment of the advance of £400,000 made to the Government last year. It may be remembered that £3,000,000 of the currency loan were ear-marked for Manchurian development; and £400,000 was advanced for this purpose. But as this sum was recklessly mis-spent, the banks refused to give a further £600,000 which they had promised to pay before the end of last year. It may be mentioned, however, that under ordinary conditions the Group has authority to float the currency loan before April, 1913.

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In the seventh place, the amounts due on indemnities, which have been outstanding since October last will work out at over £2,500,000. The total to be paid by China on this account works out roughly at £250,000 per month. Making due allowance for last year's surplus from the Customs revenue and the accumulation of Native Customs revenue, which Dr. Morrison referred to recently, there would still be outstanding the amounts due from January this year. And as this loan cannot by any means be completed before October—if it is to be completed at all—there will be ten months' account to pay; and £2,500,000 on this item would prove rather under than over the mark.

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Lastly seeing that the Chinese dropped the Anglo-Belgian syndicate loan after taking an advance of £1,250,000, the syndicate will not have the least hesitation in demanding immediate payment of the amount. Besides there are a number of small Japanese loans, and small German loans, other than those we have mentioned, mostly for arms supplied during the revolution—the date of payment of which is long overdue. Everybody has been anxiously waiting for the big loan, especially as no security has been given besides the bond of the Chinese authorities, which unfortunately has no value by itself.

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Further, it is necessary to state in this connection that the merchants, banks and other rich Chinese who helped the new Government, both during the struggle and after, now stand badly crippled from want of funds. They have been often told that their outstandings would be cleared as soon as the first loan with the foreigner was closed. Trade is badly in need of the funds spent on the revolution; and if a moiety of the debts of the Government is not paid even after a foreign loan becomes an actuality, the failure may give rise to acute discontent. The amount on this score is not available, but the lowest estimate puts it at about Tls. 20,000,000.

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Let us suppose that the London Syndicate is able to float the whole of the £10,000,000 in October. The loan is expected to be floated at 95, brokerage and other expenses incident on the flotation may be put at 3 per cent., and by the time the loan is floated, if at all successfully, China would have received and spent at least £150,000. The net receipt from the loan would therefore amount to £9,050,000. The total foreign indebtedness, of which China could not in honor delay payment, amounts to £8,950,000. Thus she will have a magnificent residue of £100,000 with which to pay her unpaid troops and disband them, and begin setting the great Republic in order.

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If China refuses to pay all her outstandings at present except the indemnity instalments that have fallen in arrears—in order to save the Salt Gabelle from being seized by the Powers—she will have fully £6,500,000 to pay her soldiers with and begin reforms at once—so it is suggested in some quarters. In the case of an individual such refusal would mean bankruptcy; in the case of a nation it would mean the utter ruination of its credit in the markets of the world. And China must necessarily borrow much more than £10,000,000. There is no disguising the fact that China has no security to offer—security in the proper sense of the word. Her performances in the past have not been such as to inspire confidence. And her hidden resources need an enormous amount of capital in order that any tangible result may be got out of them.

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It may be remembered that in his speech in March before the Assembly at Nanking the then Premier, Mr. Tang Sha-yi, stated that £25,000,000, besides the revenue, would be absolutely needed within the next twelve months. What he said then was substantially correct, and remains true to-day. The interval has only slightly added to the

total needs, as the soldiers are still being kept and paid from want of funds to pay and disband them—although in the interim a number of small loans and advances have all been received and spent. It is quite interesting to note the different items for which funds are needed, although our list is not identical with that supplied to the Assembly by Mr. Tang Shao-yi.

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If China wishes to preserve her credit as a Power, she must liquidate her pressing debts before beginning any constructive work. First and foremost is the foreign indebtedness to the tune of £9,000,000—the details of which we have mentioned above. Secondly, her merchants, bankers and gentry, who supplied funds to prosecute the revolution and carry on the new Government deserve better consideration than they have received; and the sums owing to them are estimated at about Tls. 20,000,000, or roughly £3,000,000. Thirdly, she must pay the troops, who are now eating their heads off, and disband the major portion of them. It was estimated that expenditure on this score would cost £5,000,000 some four months ago. A certain number of troops have been disbanded, but the cost of getting rid of the rest of them has not greatly been lessened, owing to the delay.

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Fourthly, she will have to buy back the Republican Bonds, on which she has to pay interest half-yearly at the rate of 8 per cent. per annum, while the bonds are continually depreciating. Sums received on account of the "so-called patriotic loan," while of no practical utility to her, are depleting the resources of the trade in the provinces. These suggestions are made with the view to enable China to start with a clean slate, if she wishes to proceed with the work of reorganization without encumbrances. Thus before she begins any construction work she stands to have to pay out £19,000,000.

RUSSIA AND THE CHINESE FRONTIER.

Under this caption the well-known authority on Far Eastern matters, Mr. Putnam Weale, discusses in the *Daily Telegraph* the question of Russian policy toward China. He argues that Russia, so far from seeing in China's weakness a source of gratification, should rather adopt the principle of the safeguarding of the Chinese frontiers and refrain from substituting her own suzerainty over Outer Mongolia for that of Peking, on the ground that simultaneously with the advance of the Russian frontier to the edge of the Gobi desert the Japanese frontier for all practical purposes will be moved from the Yalu river to the sources of the western affluents of the Liao. "In other words," writes Mr. Weale, "Russia, though she may add another million square miles to her vast territories, will be not better off; in fact, she will be worse off. All hope of a readjustment of the Manchurian problem in terms of common sense will definitely disappear; and Japan will be for ever committed to the policy of heading Russia off from the Eastern seas, of securing that the unfavorable conditions under which Russia in the Far East already lives, are greatly intensified." He goes on to say that if Japan to-day can secure an open title to Southern Manchuria and Eastern Mongolia, she may to-morrow just as easily move into Chihli province. "Adopting the principle of only sequestrating coastal regions as her cardinal principle, she can in the course of time so develop her intensive activities at home as to possess the ways and means to be something more than a mere thorn in the side of Russia in the Pacific. That is to say, that if she receives any undue access of strength at this critical juncture, the day is surely not far off when she will refuse to tolerate the great stronghold of Vladivostok in the land-locked sea of Japan (and the attempt which is sure to follow the retention of that stronghold, the gradual massing of a Russian fleet sufficiently strong to challenge her Far Eastern maritime supremacy)."

Now if we ignore for the time being all considerations of international morality and deal solely with the factors of the situation, we may well ask why, if a move forward on the part of Russia into Mongolia is deprecated as something calculated to weaken Russia, a similar move forward on the part of Japan should be characterized as "an access of strength." It may of course be pointed out that Japan will not move forward without seeing to it that her rear defences are virtually impregnable; but with the completion of the Amur Railway Russia can make similar provision. An advance into Outer Mongolia will always have the Transbaikal and the trunk-line as a base upon which to fall back in case of necessity, and even if the Chinese Eastern Railway should be wrested from her grasp or cut at any point by the Japanese or Chinese, still with the aid of the new railway on the left bank of the Amur she could continue to dominate a very considerable area of North Manchuria. In the event of Japanese encroachment upon Chihli province we fail to see how the situation as between that Power and Japan would be materially altered. Even if hostilities should break out anew between the erstwhile foes any northward movement by Japan to meet Russia would carry her further and further away from her natural base to the advantage of Russia who from various points along the Transbaikal Railway, say Petrovski Zavod and the station Manchuria or Hailar, could command the strategic situation from the north and east. The completion of the contemplated branch-line of the trunk-road from Misovaya to Kiakhta would still further facilitate the task of defending Outer Mongolia from an invading army.

Again, we fail to see how any Japanese advance into Chihli or East Mongolia would affect for better or worse Japan's ability to capture Vladivostok. Even the expression "access of strength" in this context is misleading. Strategically the movements we have mentioned could not influence the situation in the extreme east one way or the other; while economically, judging from Japan's continental record to date, they would constitute rather a source of weakness than of strength, since it is a notorious fact that Japan has not yet succeeded in making her colonies pay. A Russian suzerainty over Outer Mongolia can have no real bearing upon Japan's secret intentions as regards Vladivostok. Whether Russia advances into Outer Mongolia or whether she doesn't the day when Japan "will refuse to tolerate the great stronghold of Vladivostok in the land-locked sea of Japan" will not be anticipated or postponed by a solitary second. The two questions, for purposes of practical politics, are entirely distinct, refined hair-splitting to the contrary notwithstanding.

In quite another context the advisability or otherwise of a pro-Chinese or an anti-Chinese policy on the part of Russia may reasonably be considered. The true crux of the position simply is that Russia cannot trust either Japan or China, and that Japan cannot trust either China or Russia. Russia would vastly prefer a friendly and an autonomous Mongolian state as her Transbaikal neighbor to either a secretly or an openly hostile China who has many old scores to settle with Russia. If Russia refrains from action either for or against China at this juncture, Mongolia will either be reduced to submission in the end by China or will win independence on her own account, or with the secret assistance of Japan, and in either event she will no longer be so well-disposed towards Russia as formerly and will offer an excellent field for the extension of Japanese influence to the ultimate detriment of Russia, especially should war break out in the future. It may be an evil to incense China and to connive at the contraction of her frontiers by an active Mongolian policy,

but from the Russian standpoint it would clearly be another evil to adopt an attitude of *laissez aller* which could lead only to one of two results, viz., a Mongolia which in a very short time would be dominated administratively and economically by the Chinese, to the economic and strategic detriment of the Transbaikal; or an independent Mongolia hostile to Russia and friendly to Japan, equally to the detriment of Russia, for then indeed would a Japanese advance even beyond Eastern Mongolia be facilitated with a slenderer likelihood than at present of a successful advance southward on the part of Russia. Of several evils, therefore, Russia can but choose the least. For immediate purposes she has no alternative other than to keep on friendly terms with Japan, since the link which connects the Southern Ussuri region with the Transbaikal is weak in the extreme, depending as it does upon a line of railway which passes through a potentially hostile country within striking distance of a hostile neighbor. What may happen after Russia has completed the Amur Railway is another story which we may try to tell at a later date.

Japan Advertiser.

INDEPENDENCE OF OUTER MONGOLIA.

The insubordinate action of the "Living Buddha" is causing a great annoyance to China. She has no force to spare to be despatched to Mongolia to crush troublesome pontiff, and so is doing all in her power to pacify angry Mongols by promising them all sorts of privileges. For the purpose, the government issued not very long ago articles setting forth treatment it would accord to the Mongolians. According to the translation of the *Peking Daily News,* they read as follows:

1. Hereafter, Mongolia should not be treated as a dependency, but should be placed on equal footing with other provinces. In its relations with the administration of Mongolia, the Central Government should no longer employ such terms as dependency, territory, colonization, etc.

2.—The controlling and administrative powers of the princes of Mongolia should be duly respected as usual.

3.—The hereditary titles, of the Khans, the princes and the administrators of Inner and Outer Mongolia should be continued as usual, and the special privileges which they enjoy under their own banners should go on as usual.

4.—The five banners of Tonglou, Uringhai, and the seven banners of Altai-Uringhai which used to be under the charge of a deputy Lieutenant-General and a Comptroller-General should continue to be under their control. Those who succeed to these offices will enjoy the same as hereditary titles.

5.—The original titles of the Hutukhtus (Saints) and the Lamas in all parts of Mongolia should continue as usual.

6.—All frontier questions and all diplomatic relations of Mongolia with foreign countries should be conducted by the Central Government. However, when the Central Government recognizes the important bearing of any case on local authorities, the same will be immediately referred to them for discussion before any step is taken.

7.—The Mongolian princes of hereditary titles should be provided with very liberal allowances.

8.—The pasture-lands beyond Ch'ahar should be given to the Mongolian princes for their own use, except those that have been under cultivation and government control and which would continue to be so.

9.—The Mongolians, who have a fair knowledge of Chinese and who possess the necessary qualification required by law, may be appointed to civil and military offices outside of Peking.

Meantime, President Yuan gave instructions to Na Yen-tu to proceed to Outer Mongolia at the head of his own troops and subjugate the uprising, but the command has not been obeyed. Na's delay was not merely through his unwillingness in undertaking the expedition. He knew very well that the attempt would provoke a strong protest of Russia and he would not be able to accomplish his mission.

While things were in this state, a news comes from the north announcing the fall of Kobdo into the hands of the Mongolians. According to a report reaching on tow the 27th ultimo the Russian Legation at Peking, about two thousand Mongolian troops under the command of the "Living Buddha" surrounded Kobdo. The Russian Consul there offered his service to act in the capacity of a mediator, but the good office being rejected by the Chinese military authorities he withdrew himself to the outside of the city walls. A few days later, the dispatch states, he was asked by the Mongolian army to proceed to the city to once more try to prevail upon the Chinese commander to lay down his arms. He started towards the citadel flying a white flag. He got through the Mongolian army safely, but when he approached the wall, he was met with an unexpected fusillade of the Chinese troops, and was obliged to beat his retreat without accomplishing his object. A fierce encounter then followed between the two opposing forces, at the end of which the Chinese Commissioner and seven hundred men capitulated. At present, order in districts in the neighborhood of Kobdo is being maintained by the Mongolian troops.

Now that Kobdo being captured by the Mongolians, there is no way for China but to recognize the independence of Outer Mongolia. Should an attempt be made to send a force to drive out the invading army, Russia is understood to lodge a powerful protest with the government.

China Tribune.

YUAN SHIH-KAI'S APOLOGIA.

[*The following article was written by Yuan Shih-kai for the special issue of the China Press of Oct.* 10, *the first anniversary of the outbreak of the Revolution.*]

Ever since as a child I began the study of books I have cherished a warm affection for the character of Washington. Four thousand years ago our own country had a republican form of government and although the methods of election were not completely elaborated, yet as the Presidents of those days were chosen by the people there exists today a substantial similarity of idea. The United States and China have always been united in bonds of friendship and in the promotion of justice throughout the earth. As the American people have been the heirs, collectively and individually, of the fragrant example bequeathed by Washington, so they have been able to exhibit to the world their excellent pattern of a government characterized by absolute equality among men. I have been led, therefore, to accept Washington as my guide and preceptor.

I venture to claim an extensive experience, during my thirty odd years of public life, in all that concerns the government of China. And I have enjoyed for many years, in the field of international relations, the confidence of foreign nations. Throughout my official career it has been my constant aim to break up the stubborn conservatism of the people of this country and to lead them into consonance with the world's views and thoughts. In pursuance of this aim when in the year 1900 the Boxer uprising took place I exerted all my abilities to suppress those black-

guards and to protect the citizens of all nations, thus initiating the desired transformation of the nation's habits of thought.

When I considered the problem of giving to this nation a place in the world I became aware of the absolute necessity of outfitting the people with an entirely new equipment of knowledge and ideas and of eradicating their fundamental lack of independence and initiative as indispensable antecedents to equal intercourse between China and the nations of the world. In the pursuit of this end in all my efforts at governmental reform under the Ch'ing Dynasty I was but striving to route to activity the sluggish spirits of the people and to give reality to my ambitions for a strong and virile government.

My admonitions, however, fell on deaf ears and putting aside my office I retired for three years to private life in Changte fu. The fortunes of the nation during these three years became daily more confused and I early foresaw the impending change. The many faults of the national government made inevitable the upspringing of the revolutionary idea. The men who fathered the revolution were men whose views regarding the government were permeated with zeal and sincerity and they were men not lightly to be put aside.

When the rising finally occurred last year it was not only the insistent urgings of all classes of men but also the dread of anarchy and its pitiable aftermath that led me to devote myself, my life if need be, to the saving of the nation. From the very beginning it was perfectly apparent to me that the revolutionary army could not be put down by force, but motives of humanity compelled me to protect the Imperial family and the only course open was for me to incur the odium of both sides, though I should be led unshrinking to death itself.

I determined that the Government should be remodeled in faithful likeness to the governments of America and of France, nations that had already led the way to republicanism. The dangers and difficulties that beset this course it is needless for me here to enumerate.

The conflict between the North and the South eventually terminated and terms of peace having been agreed upon I was elected by the people of the nation to my present offices, which I accepted, not only because I had not the temerity to refuse to become a servant of the public, but also because it was my own unvarying desire to exhaust my utmost energies in order to establish in full perfection the new Republic of China.

The revolutionary movement had its origin in Wuchang and in my desire to dissolve the enmity that divided the North and the South and to unite the whole nation in the bonds of a common family I was unwearied in my exhortations. The result is that at the present time there is not the slightest vestige of dissension.

When the Nanking Government had been disbanded Mr. Sun Yat-sen and Mr. Huang Hsing remained the foremost men of their time and I was most emphatic in urging them to come to Peking. Since that event took place the last trace of the suspicion formerly existing between North and South has melted away like the melting of ice. It became possible to unite with these two gentlemen in the drawing up of Eight Articles setting forth the Government's fundamental policies in all that concerns internal administration. In all our deliberations there has been no serious divergence of opinion. Although there were some few points on which our views differed to some degree we pursued our investigations still further and rested only when these slight difficulties had been completely removed. When questioned thereon Vice-President Li Yuan-hung avowed his entire agreement with the principles of the Eight Articles.

These three leaders possess the entire confidence of the vast majority of the people of the nation. Others there may be who find reasons for holding dissenting views, but there is no nation where slight differences of opinion are not to be met with.

The people of the nation are unanimous in their desire to rid the country of all traces of the corruption of the former government. It is true that there are radicals and conservatives, but these find confidence that the vast preponderance of opinion in our country is entirely at one with me.

I grant that recently Mongolia has declared her independence and that Tibet is in a state of unrest, yet the intelligent majority of those regions unite in condemning such actions and, given time, those lands will return in grateful contrition. As humanitarian motives are my constant guide I cannot consent to the arbitrary use of military force, nor is this latter policy pursued from a fear that our forces are unequal to theirs, for the minority cannot long stand out against an overwhelming weight of numbers.

I cherish an implicit confidence in the basic racial excellence of our nation and I maintain my firm belief that given a strong government, capable of guiding the country's people and of affording to the whole body of its citizens the support and controlling influence of law, this nation will become a state entirely republican in all its aspects, that it will follow in the footsteps of the nation of America and attain to a prosperity equalling theirs and that it will derive from the friendly nations of Eastern Asia the benefits of mutual co-operation and aid.

Might this be accomplished it would be my most ardent wish to bid adieu to the field of political activities and return to my rural home, there to emulate Washington in personal attention to the cultivation of my acres, supremely happy in the fulfilment of a lifetime's heart-felt desire.

TREATY OBLIGATIONS IN TIBET.

The question of the future of the dependencies of China is causing considerable anxiety in official circles in Peking. This is due principally to the recent British Memorandum with reference to Tibet, and to the attitude adopted by Russia in Mongolia. As a result of the lack of complete understanding, a prolific crop of wild rumors and conjectures, the growth of the fertile imagination of the young Chinese mind rather than the outcome of mature consideration of facts, has been accorded wide publicity. It was in response to a request by the Chinese Government to be informed of the attitude of the British Government with regard to the intention of the Republic to incorporate Tibet as a province, that a Memorandum embodying the views of the British Government was handed to President Yuan Shih-kai. In this Memorandum it was stated that the despatch of a Chinese military force to Tibet with the object of re-establishing sovereignty over the Tibetans would be disapproved as being in violation of the terms of the Anglo-Chinese Treaty of 1906. Great Britain, it was pointed out, fully recognized the suzerain rights of China in Tibet, and herself had no intention of disturbing the *status quo* which precludes British interference with the integrity or administration of Tibet. In addition, the British Government declared that the Tibetans ought to be allowed to manage their own internal affairs without Chinese interference, and recommended a new agreement between Great Britain and China as a precedent to British recognition of the Republic. No direct reply has been given, but the statements in the Chinese semi-official Press, if not the report that the majority of the Cabinet Ministers are of opinion that both the Mongolian and Tibetan questions should be referred to the Hague Tribunal for arbitration, are sufficient indication that China is unwilling to acknowledge the justice of the British contention. Further, the answers given by the Cabinet to the request

of the Dalai Lama for certain concessions from China, clearly indicate that the Republicans intend to persist in the attempt to make Tibet a province of the Republic.

One of the most important decisions made by the Cabinet on the issues raised by the Dalai Lama was that his religious power shall be restored to him, but that he shall not be permitted to interest himself in politics. It was also determined that in regard to questions of serious import affecting the political administration of Tibet, the Tibetan citizens might have the right to submit requests and suggestions for approval and adoption by the Government. But, "as to what policy the Government may deem fit to propose, when the condition of Tibet becomes settled, the Dalai Lama shall refrain from intervention." Contemporary history shows clearly that the Dalai Lama wields the secular power of the hierarchy and that the spiritual monarch is his fellow-pontiff, the Panshan Lama. To demand that the former should submit willingly to the usurpation of the powers that he has exercised in the past, especially in view of the fact that the Tibetans, who are in a strong position, are putting forth their utmost energy to throw off the Chinese yoke, is but to invite further military disasters in Tibet. China has exceeded her rights in declaring her determination to make Tibet a province of the Republic. It is because the Chinese have gone so far as to send an army to Tibet to reassert sovereignty where they are entitled only to suzerainty, that the British Government has intervened and forbidden China to proceed with military operations. This action on the part of China is in pursuance of the old policy of treating Tibet as a conquered country when it was opportune to do so. On the other hand Tibet has never ceased to assert her independence when a favorable occasion arose. We were told that in the Chinese Republic the five branches were to live in liberty, equality and fraternity, and none were to lose any ancient rights. Yet, before the Republic is a year old, it is suggested that, against her will, a land under the theocratic rule of the despotic Dalai Lama is to become an integral part of the Republic. There is nothing to show that the expedition that was authorized to subdue the Tibetans would not have been accompanied by the barbarity that characterized Chao Erh-feng's expedition and followed bv merciless aggression, had not Great Britain, unable to witness silently a repetition of the events of two years ago, stepped in to remind China of her obligations.

Since the Lamaist hierarchy adopted the policy of isolation, Tibet has frequently disobeyed the demands of the suzerain Power, and it is not, therefore, remarkable that she should seize upon an opportunity to regain her freedom. The important history of the relations of Great Britain and Tibet ante-date the Younghusband expedition by some years. Prior to that expedition China openly declared that she had no control over Tibet and was not in a position to press the demands made by the Western Power. Intrigue with Russia, on the part of the Lama Dorjieff, rendered an expedition imperative, and as a result a treaty was directly negotiated between the Indian Government and the Tibetan Government. This treaty was subsequently acknowledged in a treaty with China by which Great Britain denied herself the right to maintain an agent in Tibet, but acknowledged the right of China, as the suzerain Power, to establish a Resident in Lhasa with a suitable escort. Great Britain and Russia also bound themselves to observe the integrity of Tibet and to abstain from interference in its administration. The desire of Great Britain is to return to the *status quo* constituted by these three treaties. She has no wish to make herself responsible for the protection and good government of this huge and unwieldy country, but it is incumbent upon her to defend her own interests and to see that others carry out mutual obligations. The expedition under Chao Ehr-feng was a violation of the Anglo-Chinese Treaty relating to Tibet. A vigorous protest made at that time would have prevented any possible misunderstanding as to the attitude of Great Britain, and China must understand that there can be no withdrawal, so far as Great Britain is concerned, from the position that the latter has rightly taken up. It would be contrary to the general interest of peace, if not to the laws of humanity, for her to allow China to deal with Tibet in any manner she proposes. Between this attitude, however, and the insinuations of the Chinese Press that Great Britain is engaged in a concerted and aggressive policy towards the new Republic, there is a wide gulf. Even if Great Britain were not already bound in more ways than one to respect the territorial integrity of China, she would certainly not fly in the face of all her national traditions in order to compete with China in evading treaty obligations in Tibet.

N. C. Daily News.

MANCHURIAN EXPORT OF BEANS, BEAN OIL, AND BEAN CAKE.

The returns for exports of beans, bean oil, and bean cake from Dairen (Dalny) in recent years are as follows. The export season commences in November and closes in May of the following year.

Export year	Beans.	Bean cake.	Bean oil.
	Tons.	*Tons.*	*Tons.*
1908-09	354,878	285,546	8,957
1909-10	357,166	146,688	13,552
1910-11	258,731	351,119	28,669
1911-12	161,385	370,490	33,574

Upon first glance at the foregoing figures one might infer that the export trade in staple produce might be seriously affected by the steady decline in export of beans. It can be shown, however, that the contrary is actually the case. Apart from bean cake, which is merely a by-product obtained in the manufacture of bean oil, the amount of beans consumed in the manufacture of bean oil exported during the foregoing respective seasons may be had by calculating at the rate of 12½ pounds of beans to 1 pound of oil.

In the following table the exports of oil have been converted to beans on the basis stated, and these, added to the exports of beans as given in the preceding table, show the actual total exports:

Export year.	Beans consumed in manufacture of bean oil exported.	Beans exported.	Total.
	Tons.	*Tons.*	*Tons.*
1908-09	111,962	354,878	466,840
1909-10	169,400	357,166	526,566
1910-11	358,372	258,731	617,103
1911-12	419,675	161,385	581,060

At beginning of the 1911-12 season there were 45 bean-oil mills in operation in Dairen, all under the control of either Japanese or Chinese owners. The manufacture of bean oil being the most important local industry, it is at once apparent that the export of beans from Dairen will continue to decrease until a normal level indicated by a sufficiency of supply for local consumption has been reached. From the foregoing figures it will be seen that while the figures for the last season were smaller by 36,046 tons than those for the preceding season, they were still larger than the two earlier seasons by 54,494 and 114,220 tons, respectively, thus making the last a fair season.

CHINA'S FOREIGN ADVISERS.

From The Far Eastern Review

DR. G. E. MORRISON.

POLITICAL ADVISER.

Perhaps no action of the Chinese Government could have placated foreign opinion more than the appointment as political adviser of Dr. G. E. Morrison. One of the greatest misfortunes that attended the earlier months of the Republic was the absence of a strong-minded, well-informed and sympathetic foreign adviser. The obstacle, of course, was the exaltation of mind that not unnaturally followed the destruction of Manchu power. The downfall of the dynasty which has been desired for so long seemed almost impossible of achievement, but when the spark of revolution was struck, the flames spread through the country with almost incredible rapidity. This sudden and spectacular success inspired in the Chinese a belief that they were mentally equipped to solve any problem that might be presented to them; they considered that, as they had been able unaided to overturn a dynasty that seemed to be so firmly rooted that no political storm could affect it, they were qualified to navigate the ship of state without advice or assistance. The heavy weather that has already been encountered has caused a readjustment of these views, and the first practical outcome has been the selection of the famous *Times* correspondent as political adviser.

The choice is a most excellent one and will commend itself to Chinese and foreigners alike. The Chinese will be pleased, because Dr. Morrison has consistently shown a profound liking for, and a sympathetic understanding of, the people of China. Although representing a great British paper that enjoys an almost semi-official standing, Dr. Morrison has never allowed any desire to promote British interests to interfere with his determination to secure fair play for China. Those words, in fact, explain at once his policy and his success. Fair play for China has been his motto throughout, and although during the Manchu *régime* he fearlessly attacked nepotism and corruption in high places, it has been thoroughly recognized that he did this in the best interests of the country. The "predatory Powers" as those nations who had designs on China's territories have been styled, constantly squirmed under the lash of his pen. Russia's cynical and high-handed action in Manchuria was early exposed in *The Times* and this was by no means the only case in which Dr. Morrison played the part of unofficial watchdog of China's interests. The Chinese know that with Dr. Morrison as adviser they will have more than filled the gap left when Sir Robert Hart ceased active work. They have secured the services of a man whose intellectual capacity is recognized in every quarter of the civilized world; whose fearless integrity has been again and again manifested, and whose sympathetic understanding of the Chinese people will enable him to consider problems from their view point as well as weigh them on general principles.

Foreigners will hail the news of his appointment with gratification because his sympathy with the Chinese has never been able to subvert his judgment. Other men have yielded to the subtle fascination that the Orientals often exercise over Occidentals who begin to understand them, and the result has been that they became simultaneously pro-oriental and anti-occidental. The clarity of mind and soundness of judgment which characterize the eminent correspondent, have saved him from this fate, and any expression of opinion from him has been accepted without question as the genuine view of an especially well-informed and thoroughly unprejudiced observer, who had got close to the heart of Far Eastern things without losing a tittle of his sturdy individualism. Respected and trusted by Chinese and foreigners, Dr. G. E. Morrison in his new position will have a more extended field for the exercise of his great mental and moral qualities, and that he will add to his fame and place China under the heaviest of obligations to his sagacity and foresight is as sure as anything mundane may be—if he is given a free hand.

Dr. Morrison's career is too well known for it to be necessary to give here more than the slightest of sketches. He was born in Victoria, Australia, forty-five years ago, so he is comparatively a young man. That he was of an adventurous disposition was shown by his feat of walking across Australia when he was eighteen. Exploration in New Guinea next engaged his attention. The expedition was attacked by cannibals and Dr. Morrison received two serious spear wounds. While he was recovering from these wounds in Edinburgh he took his medical degree. Thereafter he worked on a schooner in the South Seas in order to study the Kanaka question; served as a purser on a vessel in the West Indian fruit trade, and for some little time enjoyed the distinction of being Court Physician to the Shereef of Wasan in Morocco.

His association with the *Times* came about in a strange but eminently fitting way. He owed his appointment to himself alone. After making a marvellous trip through China alone in 1894, he published a book "An Australian in China," describing his journey. This volume was read by the late Mr. Moberley Bell, the Manager of *The Times*, and he lost no time in getting in touch with Dr. Morrison and commissioning him to journey through Indo-China and the adjacent region and to supply *The Times* with special articles. The wonderful discrimination Dr. Morrison exhibited and his rapid assimilation of knowledge in connection with this work marked him out as the man to fill the important post of *Times* correspondent at Peking which was then vacant. This was offered to him and accepted, and a new force arose in China. Dr. Morrison in his capacity as correspondent has had to fight against powerful influences—the opposition was not always and altogether in quarters remote from his own legation—and he has been subjected to attacks open and covert. That he has always emerged successfully from struggles of this nature proves not only his magnificent courage, but the strength of the causes for which he elected to do battle. It will be remembered that Dr. Morrison's unique knowledge of Far Eastern affairs, which enabled him frequently to forestall the Foreign office, led to Lord Curzon describing Dr. Morrison's statements as "the intelligent anticipation of events before they occur," a witticism that was untrue as it was cheap. Dr. Morrison was among the besieged in the British Legation during the Boxer rising and he did magnificent work in the defence. If anything he was too daring and he received another wound during one of the attacks.

China is to be congratulated on this appointment without any qualification or mental reservation. She has secured the services of a man whose reputation for sturdy courage and devotion to duty is beyond cavil, and whose power and desire to see her peaceful, happy, and progressive march hand in hand.

PROFESSOR NAGAO ARIGA.

JUDICIAL ADVISER.

No hope is more cherished among the Chinese than that the time will speedily come when extra-territoriality will be finally banished. Until this is done China cannot aspire to the status of a first class power. To reorganize and reform her legal system is the first step, and Professor Nagao Ariga, an eminent Japanese jurist, has

been appointed judicial adviser to supervise the carrying out of this most important work, possibly in collaboration with Sir Francis Piggott. It is possible that the Government of China had in mind when making this appointment the conspicuous success that had followed the engagement of Dr. Tokichi Masao by the Siamese Government as legal adviser. As a member of the commission on the codification of Siamese laws which was appointed in 1898 Dr. Masao did invaluable work and the result, as readers may recollect, was the abandonment by Great Britain in 1907 of her rights of extra-territoriality in Siam.

The selection of a qualified Japanese jurist for this advisership is based upon the fact that Japan is the one country which has been confronted with similar problems to those which now face China and has overcome them. Extra-territoriality prevailed in Japan from the time that the country was opened up by Commodore Perry. The Japanese quickly realized that the only means of abolishing extra-territoriality was to remove the cause of its existence. Consequently they set to work, under competent advice, to codify their laws and bring them up to the standard of the more advanced countries. Simultaneously they began to train men efficiently to fill the judicial positions. When the Powers saw that the safety of their nationals could be trusted to the laws of Japan and the administrators of those laws, they were unable to refuse the request for the surrender of their extra-territorial rights. A Japanese judicial adviser will be, consequently, invaluable to China at the present juncture as he will be able to explain the methods by which Japan succeeded in regaining her national independence.

Of the professional qualifications of Professor Ariga to cope with the difficult problems that will be submitted to him, his past career furnishes conclusive testimony. He took his degree of Ph.D. at the Imperial University of Tokyo in 1882, and afterwards went to the University of Berlin, where he made a special study of National Jurisprudence. After his return to Japan he was appointed Secretary to the Privy Council, and he took a prominent part in the arrangements for putting the constitution in force. During the war between Japan and China, he became adviser on international law to the General Commanding the Second Army. Subsequently, while on a visit to Paris, he published in French "An Essay on International law concerning the China-Japan War." In 1893 he was appointed lecturer on International Law at the Imperial Military College, and in 1899 was the representative of Japan at the Peace Conference in London. During the Russo-Japanese War Professor Ariga's advice on questions of international law was frequently requisitioned and he was officially attached to the Manchurian forces as adviser.

Professor Ariga has written a large number of books on jurisprudence, international law, sociology, etc. Among his better known works are "A History of Modern Diplomacy," "The Diplomatic History of the Last Thirty Years" and "Commentaries on the laws of Ancient Japan." Professor Ariga is a native of the Settsu province of Japan and was born in 1860.

PROFESSOR J. W. JENKS.

FINANCIAL ADVISER.

In view of the precarious position of China at the present time the choice of the best available authority as financial adviser was of paramount importance. The influence for good that can be exercised by a thoroughly competent and high-minded financial adviser is scarcely less than that which will flow from the office of the political adviser. China will be made or marred by the political and financial policy she follows during the next few years. Therefore the selection of Professor J. W. Jenks as financial adviser to the Government has been welcomed by all well-wishers of China, foreign or native. It is true that Professor Jenks cannot claim the long and intimate acquaintance with China and the Chinese that will prove of such inestimable service to his colleague in the political department, but he has made a special study of China's finances, especially in regard to the currency problem, and probably no foreign expert living knows more about the subject which will be his especial care. The exhaustive examination he conducted in 1903 and 1904 in connection with the currency question led to the submission of a most valuable report containing recommendation for reform, including the establishment of a gold standard. Probably Mr. Jenks will devote his attention in the first place to getting something like order out of the currency chaos, and success in the work alone would be sufficient to establish his claim to be considered as a lasting benefactor of China. The international financial engagements of China are so complicated that it will require all Professor Jenks energy and accumulated experience to reduce them to a system. Necessarily allied with this is internal finance. It has long been a belief of well informed foreigners, including the late Sir Robert Hart, that an equitable land tax alone, while actually decreasing existing burdens, would return a revenue sufficient to pay all China's administrative expenses, provide for the payment of interest on foreign loans and the establishment of a sinking fund. It may be that when Professor Jenks brings his expert knowledge to bear upon the data collected by the Finance Department he will be able to solve the domestic financial problems in a manner more satisfactory than now seems within the bounds of hope.

THE OUTLOOK IN CHINA.

BY PHILIP H. PATCHIN.

Special Correspondence of the China Press.

Peking, September 15.—The friendly and continued presence of Sun Yat-sen, Huang Hsing and Chen Chi Mei in Peking, where all these heroes of the revolution are being accorded a warm reception, indicates that conditions generally are better now than they ever have been before. There is no use concealing the fact that for many months after Yuan Shih-k'ai became provisional president, officials in the north, as well as many others, looked upon Sun Yat-sen and Huang Hsing with suspicion. Neither was really trusted and it was believed that at any time they might head a movement against Yuan Shih-k'ai. At least, it was believed, Sun Yat-sen would be a candidate for the presidency.

Now, however, both Dr. Sun and General Huang declare they are for Yuan Shih-k'ai and will support him. If this be true and the party of which they are the leaders follows their lead, the election of Yuan Shih-k'ai is practically certain and thus the outlook for speedy progress toward a stable government is better than ever. It is really of the utmost importance that Yuan Shih-k'ai should be selected as the chief executive of this new republic for in no other man do the powers of the world perceive the leadership and ability necessary to the formation of a government worthy of recognition.

In view of the previous suspicion which many people here had of Sun Yat-sen, Huang Hsing and Chen Chi Mei it seems strange to find them now in Peking, received with warm cordiality and fraternizing with Yuan Shih-k'ai and others who not long since were not at all sure that these men were not enemies, more or less dangerous. They all seem to be placated, however, and in

Peking at least they all express great admiration for Yuan Shih-k'ai and say that he is the man for the presidency. Yuan Shih-k'ai seems stronger and more powerful than ever and, as has ben pointed out in these despatches, he is making every effort to make his position absolutely secure.

Dr. Sun has been given an appointment as the head of a railway development scheme of his own devising which ought to please him very much and, perhaps, take him out of politics, at least for the time being. He is to make plans for a tremendous railway building scheme. He has, as every one knows, developed a keen interest in the matter of railway construction and in his new capacity will have the opportunity for actually putting his plans into operation. Besides this, according to common report, he will have a monthly allowance of thirty thousand taels to carry on the work. While there is no question that some of Dr. Sun's schemes are a bit theoretical there is no doubt that he can do the nation a world of good if he carriers out his ideas for the development of the communication of the nation.

It is not improbable, however, that his appointment to his new position will cause some trouble, for the present Minister of Posts and Communications is very much displeased with this latest scheme, believing, with some justification, that his department has been set aside in the interest of Dr. Sun's plans. It is certainly true that Dr. Sun's new position takes away a very important part of the work of the ministry.

Dr. Sun's visit must be called eminently successful and his reception has given greater evidence of a growing spirit of harmony between the various warring factions than anything that has happened since the establishment of the republic. Most notable of all was a dinner the other night in honor of him and General Huang given by Prince Pu Lun, one of the most progressive of the Manchus. It was a conciliation party between the new regime and the old which had great significance. It shows to a certain extent that the Manchus are reconciled to what has happened, although there are some Manchus who will naturally never give up hope that some turn of events will lead to the reestablishment of the Ching dynasty. At this dinner party a message was read from the Prince Regent, than whom no one suffered more from the revolution. *The Peking Daily News* in publishing the text of the message calls it an act of history.

It is, under the circumstances well worth adding to the documentary history of China. It follows:

"It is a ripe saying of our Sages that memorable deeds are the work of memorable men. The recent achievement of Dr. Sun and General Huang Hsing and other patriots in founding the Republic of China prove that the ancient teachers have not erred.

"The records of our spacious history—annals of 4,000 years and more—have been studied by Dr. Sun and General Huang in the light of the knowledge and experience of these more recent days. They learnt that unless China changed to a republican form of government she would be unable to give protection to her people as well as prosperity and also would fail to cope with the nations of the world.

"Inspired by this thought, Dr. Sun journeyed into many lands and used his time and opportunities. He strove for a score of years and upwards with zeal and diligence until he realized his object of establishing a republic in China. He may well be compared to the illustrious George Washington.

"While Dr. Sun and General Huang have exhibited the purpose which achieves deeds, no little praise attaches to the wise and unselfish action of the Empress-Dowager and the Emperor in freely giving to the people that which the Sages aver to belong to the people. The illustrious examples of Yao and Shun are repeated in our day.

"The times are unpromising. Since the establishment of the republic, signs of internal trouble and of external dangers have repeatedly forced themselves upon the country. The gathering of tempest over the great land of China appears to be more threatening than during the time when our guests had not yet given utterance to the great idea of founding a republic. Does this mean that circumstances create heroes or that heroes create circumstances?

"However, Dr. Sun and General Huang have arrived in the north in order to make the acquaintance of the President and to discuss with him some grave problems of the nation. The people of the north avail themselves of the opportunity to show the honor which is their due.

"Illness disables me from personally coming to this dinner. I regret it deeply.

"It is earnestly to be hoped that, through the help and guidance of Dr. Sun and General Huang, our land will know peace and prosperity which will be enjoyed by the Imperial Family no less than by the people of the country.

"And thus we may still witness the performance of a great work by two great men."

Could anything be much more curious than this peculiar communication? Coming from the representative of the Manchus, and particularly from the one man who was considered the arch-enemy of the Chinese people, against whom the revolution was directed more than any other individual, save, perhaps, the boy Emperor, it seems really astounding. Imagine thinking a few months ago that the Prince Regent would ever reach the point of giving ardent praise to Dr. Sun Yat-sen, for whose head the Manchus yearned within less than a year, and General Huang, the rebel leader, and the wonder of this incident will grow upon you. The revolution was wondrous in its speed but no more so than this apparent change in the feeling of the Manchus.

Perhaps, however, the above communication is not as sincere as it might be and is merely a matter of expediency. The feeling is growing in these parts that it is high time for everyone to get together in order to have any China at all and perhaps that is the reason why the Prince Regent was so ready to praise the achievements of the two revolutionists from the south. Maybe too, there is some sarcasm in his last sentence to the effect that "we may still witness the performance of a great work by two great men." In addition to this message Dr. Sun had a personal conference with the Prince. They talked together in friendly fashion for an hour. This meeting was something of an event in itself and illustrates again the peculiarity of the entire situation.

Conditions generally appear quieter and better. The National Council is working steadily, not accomplishing a great deal, it is true, but still not doing anything very positive, which in itself is something creditable to the organization of firebrands. The agitation over the summary execution of Chang and Feng has died away until now it is never mentioned and is no longer considered of importance. It shows what control Yuan Shih-k'ai has acquired.

When these two agitators died it was believed that their deaths would set the nation on fire. Nothing of the sort has happened and President Yuan could to-morrow do the same thing over again and get away with it. The looting of the town of Tungchow, near Peking, created scarcely a ripple. A town was ruined forever, but then many towns have been ruined during these last months and it makes little difference. A number of officers of the Tungchow troops are said to have been punished by the venerable General Chiang Kuei-ti, but no one seems to know the exact truth. It is said that the old general, a man of the old school, merciless and bloody upon occa-

sion, even went so far as to execute his only grandson who was an officer in the organization. This is picturesque but no one knows whether it is true, but if anyone were likely to do such a thing it would be old Chiang Kuei-ti.

DR. SUN YAT-SEN ON RAILWAY CONSTRUCTION.

At a reception given in his honor by the representatives of the Press in Peking, Dr. Sun Yat-sen thus expounded his great scheme of railway construction:

"The political affairs of our country may very well be left in the hands of President Yuan and the Cabinet in whom I have the fullest confidence for success. Therefore, I shall not put my finger in the pie. From now on, I shall devote my whole time and attention to social service. If, through your suport, the scheme in my mind can be successfully carried into effect, it will, I am sure, prove to be a great blessing to our people. The scheme is a railway campaign on a gigantic scale, which I have already expounded at Shanghai, and recently to President Yuan. If it meets with the approval of our people, I shall at once set it in motion. I propose to build 200,000 *li* of railway in China within the next ten years.

"At present both our government and people are empty-handed, and we cannot start to build anything save with foreign capital. Under the Manchu administration, serious consequences were experienced in connection with foreign loans, and so people strongly opposed similar acts, and the people in Szechuan, Hupeh and Hunan were the most violent. I have taken pains to explain to their representative people that the evil consequences were due to wrong and careless negotiations, and not to the foreign loan as such, and they seemed to be able to appreciate my view. Moreover, which railway in China was not built with foreign capital? It is true that the Peking-Kalgan Railway was constructed with Chinese money. We should not forget that the money was the profits of the Peking-Mukden Line, and hence it was still a loan borrowed indirectly, and not purely Chinese money.

"In contracting former loans, the Chinese Government often offered as securities either the Likin, or the custom duties, or the railway lines when completed. These terms, rather humiliating in nature, aroused opposition of the people. Now, my scheme of contracting a foreign loan of $6,000,000,000 is that only one-fourth of the sum will be hard silver—about $1,500,000—while the rest will be in the form of railway materials from foreign countries. This scheme will also commend itself to the different bankers.

"Our Government had been trying in vain to float a foreign loan of at first $600,000,000 and later $200,000,000. The chance of continuing the negotiations is uncertain. If so, will it be possible to float one, ten times bigger than the first proposal? To answer the question, we should first understand the difference between the two loans, the one for political purposes and the other for constructing railways. A political loan offers very little return while a railway loan, a greater part of which will be in the form of materials, brings benefits to many factories and mills. Hence, bankers will not only be willing but also eager to accept railway loans.

"Will there be such a tremendous sum of money ready for loans? This question is valueless. The people in a famine district think that there is no rice or money anywhere. In reality, both the rice and the money dealers are anxious to secure a market for their commodities. Similarly, China being now in a strained financial condition, people conjecture a scarcity of capital in other countries as well, while the bankers really are anxious lest we may decide not to patronize them. To-day, if we resolve to borrow money to construct railways in our country, there will be no difficulties at all in getting all the capital we need.

"I have heard of another erroneous statement:—It is not easy to build 200,000 *li* of railway in China to-day. However, it seems to me that a period of ten years is ample enough for the construction. During the first two years, we shall negotiate to get the loan; the next three years, we shall complete the survey of the lines; the following five years, we shall finish the construction. This is no mere calculation on paper. Canada completed a line of 100,000 *li* in three years by securing the labour of 150,000 Chinese workmen. We are exempted from the trouble of importing workmen from another country, and we should be able to complete the entire line in five years.

"My scheme is by no means too extensive and expensive for a country like ours. In the United States of America, there are now 800,000 *li* of railway. Is it too much for our country, which is much larger in area than America, to build 200,000 *li* within the next ten years?

"The importance of railway to our self-defence, our political development, and the spread of our civilization can hardly be overlooked. The aggressive policy of Russia in Northern Manchuria and in Mongolia, the freedom of action of Japan in Southern Manchuria, and the monopoly of the British influence and authority in Thibet are all a challenge to our military prowess in defending our frontiers. Have we no soldiers under command? We have so many of them now that we have to borrow money to pay them. Simply on account of lack of means of communication, our soldiers are of no avail.

"It is reported that the Russian Government is contemplating to construct with French capital a railway to connect Kiakhta and Kalgan. When this scheme is laid before us, shall we agree to it or refuse it? On the other hand, if we at once start to prepare to construct the line ourselves, we shall be able not only to check the Russian aggression but also to secure the same French capital for our own use.

"The fear of the abuses of Trusts is also groundless. According to my scheme, the whole system will be under the government control forty years after its completion, although it is necessary that it should be started by private concern. In that way, the evil system of the American Trusts will never be able to visit our country.

"How have we endangered our sovereign-rights in Mongolia and Manchuria to the Russian and the Japanese respectively? Simply because the former are in control of the Chinese Eastern Railway, while the latter have in hand the administration of the South Manchuria Railway.

"The construction of railways in China to-day is a question of imperative necessity, and one of life and death to the Republic. The chief authority under a popular government rests with the people. It is their approval or non-approval that settles and decides everything of importance. If my scheme be favorably received by the people in general, I shall push it to a successful conclusion within ten years. You are representatives of the public opinion, and I hope that you will use every means within your power to enlighten them on the necessity and benefits of railways so that the scheme which I have carefully explained to you will, by their support, become a reality."

At another reception given in his honor by the National Railway Union, Dr. Sun Spoke as follows:

"Most people to-day are satisfied with the Republic which we have inaugurated, but we should not have the feeling of contentment until China has been acknowledged the most powerful nation on earth. The secret of the successes in European and American nations lies in the execution of their railway plans. The thicker the railway lines are, the stronger and more wealthy the country is. The reverse is also true.

For instance, the distance between Hsian-shan district city to our village is only about twenty miles. The means of transportation being so poor, the freight for every ton of products is $7.00 whereas the freight for the same amount of products to be shipped from America to China covering thousands of miles, is only $2.50. This enormous difference in freight will make a corresponding difference in the price of cargoes and, subsequently in trade and commerce. I have seen the farmers in Kwang-si burning their stock of corn, simply because they had no means of transporting same to the market.

One of my statements, that we should build 200,000 miles of railways in China within ten years, seems to have evoked some surprise and discussion. To me, the scheme is most simple and practical. Supposing that ten men can, in one year, build one mile of railway, and calculating on this basis, 200,000 men should be able to build 20,000 miles in a year, and 2,000,000 men, 200,000 miles. Cannot we find among our 400,000,000 people 2,000,000 men to build our railways? It may not be easy to organize one company to undertake this tremendous programme, but, we can form several companies independently.

The capital needed, by careful computation, amounts to $6,000,000,000 (Silver). The railways in the United States of America every year bring in a net profit of $1,500,000,000, (Silver) and within ten years, they will repay the invested capital. The railway returns in China now amounts each year to $300,000,000, and are proportionally four times more than those in America. The people, shouldering a lighter burden, will be given an opportunity for other enterprises. China will no longer be poor.

I strongly advocate that these railway schemes should be pushed through as quickly as possible. Time is most valuable. If we delay them for one day, it will mean a loss of hundreds of thousands of dollars, and no nation on earth can afford this heavy loss.

Again, supposing that we have an army of 2,000,000 strong, and have them quartered in different provinces, each will have only 100,000. If an opposing army of 300,000 men should attack one province suddenly, then, on account of lack of means of transporting troops from neighboring provinces, the enemy would be attacking 100,000 men and not 2,000,000, and their victory would be assured. On the other hand, if we have a splendid system of railway service to mobilize our troops at will, there will be no necessity of having 2,000,000 soldiers, and a smaller force will be just as powerful

For the reasons given, I am strongly convinced that there is no better or other way to save our beloved country than to concentrate all our wealth, talent and power to execute a thoroughly-planned railway system. When this is accomplished. China will undoubtedly become a most strong and wealthy nation on earth."

Mr. Chu Chi-chin, Minister of Communications, made a few appropriate remarks. Refreshments were served and a photograph was taken before the audience of over 500 men and women was dispersed.

JAPAN AND AMERICA.

ADDRESS OF MR. HAMILTON HOLT AT THE LAKE MOHONK CONFERENCE.

On March 31, 1854, Commodore Perry, on behalf of the United States, signed with Japan a treaty of commerce and friendship which opened Japan to the world and inaugurated the most remarkable political and social revolution known to history. The first sentence of that treaty reads as follows:

"There shall be perfect, permanent and universal peace and a sincere and cordial amity between the United States of America on the one part and the Empire of Japan on the other, and between their people respectively without exception of persons and places."

I cannot recall a single instance from that day to this, save possibly the Shimomaseki affair of 1863, in which Japan has violated either the letter or the spirit of that peace pact. On the contrary, Japan has done everything in her power to show her gratitude and affection for us. She has sent her brightest young men to be trained in our universities and technical schools. She has modeled her educational system after ours. She has employed many Americans within the Empire as advisors, teachers and administrators. At the present moment an American citizen, Mr. Dennison, is serving as chief advisor of the Foreign Office; and incidentally it is worth mentioning that Mr. Dennison has always had an understanding with the Japanese government that in case of trouble between Japan and America he would return home. He has not yet asked for his release.

The United States had an equally unblemished record for cordiality to Japan until the close of the Russo-Japanese war. Then a change began. Personally I take no stock in the charge that the American war correspondents, whose work at the front was so restricted by the Japanese military authorities, started the anti-Japanese cry in a spirit of revenge. Nevertheless, all at once and without any obvious reason inspired statements began to appear in the American press that we would have to fight the Japanese. They were getting "cocky" as a result of their victories over Russia and needed to be "taught a lesson." Furthermore the English and German war scares were beginning to experience the law of "diminishing returns" and our battleship builders and Admiral Mahans were under the necessity of conjuring up some new adversary against whom we needed the protection of a great, and ever greater navy. Then came the California law segregating the Japanese in the schools as if they were not fit to associate with white children. That stirred up Japan to strong protest but it ended in the Japanese government stopping all emigration to this country so that even students find it difficult to come here to-day. Indeed there is now an excess of Japanese returning from the United States over Japanese coming to the United States by about three thousand a year. Immediately after the California incident President Roosevelt sent the fleet on its gastronomic voyage around the world, ostensibly on a "peace" cruise, but in reality to impress Japan. Japan turned the other cheek by spending a million dollars to entertain it. She has shown similar hospitality to our delegations of merchants and others who have visited the islands. But the pinpricks continued. The cheap politicians began to introduce bills in the California legislature to prohibit the Japanese from the Pacific Coast and to prevent those already there from owning land or engaging in business. Next came the report that Japan had a secret treaty with Mexico against us and was to be allowed a Pacific port. That of course turned out to be a "fake." There were also the reported speeches of a member of Congress, formerly of the Navy, declaring that Japan was waiting the near time to declare war and seize the Philippines, Hawaii and the Pacific Coast. On February 25, 1911, on the floor of the House, Mr. Hobson prophesied war with Japan within twenty months. Thus only five short months remain before our hearthstones will be violated by the "yellow peril." Then came Secretary Knox's proposal for the neutralization of the Manchurian Railway which appeared to Japan to seek to deprive her of rights she had gained by the treaty of Portsmouth and to destroy her preponderant influence on the border state facing her Korean frontier. Next appeared a scheme of American capitalists to build the Chinchow-Aigun Railway to rival the South Manchurian Railway in China. This was followed shortly by the

extraordinary proposal from bankers originating here, that a syndicate representing four Powers, the United States, England, France and Germany should loan China $50,000,000, the interest to be guaranteed by all the unhypothecated resources of Manchuria, and the provision added that China should go to these four Powers for any future loans, thus dethroning Japan from her primacy in Manchuria and all China. Though the Knox neutralization plan and the American railroad scheme fell through, and the bankers controlling the four-Power loan have since invited Japan and even Russia to join their circle, these proposals made a very bad impression in Japan. Our attitude in respect to Manchuria was very much the same as though Japan went to our border state Mexico and said: "See here, Mexico, the United States has a good deal of money invested in your territory. It is a menace to your integrity. We suggest that you let us raise a loan, so that you can pay back the United States what you owe her and then tell her to get out. You can come to us only for all future loans." If such a proposition were made by Japan to Mexico nearly every editor in the United States would be shrieking for war. But the Japanese are a very self-controlled people. They say very little. They feel, however, that they have the same right in Eastern Asia that we claim in this hemisphere under the Monroe Doctrine, that is, the inalienable right to take any proper course requisite for self-preservation.

And now, since the first of the year a measure known as the Dillingham Bill was favorably reported to the Senate by the Committee on Foreign Relations which would have excluded the Japanese from our shores as the Chinese are now excluded. Fortunately the exposure of the "joker" in the bill led to a modification of its anti-Japanese clause. But in the meantime the news had been cabled to Japan and the harm was done. Finally Senator Lodge, who is more responsible for the defeat of the great peace treaties with England and France than any other man save Theodore Roosevelt, has again revived the Magdalena Bay war scare by charging Japan with seeking concessions in Mexico in violation of the Monroe Doctrine. In this connection President David Starr Jordan has just written me as follows:

"Magdalena Bay is in the rainless belt of lower California, in a region in which nothing grows except cactus and a few stunted cedars. There is a good harbor, and there is excellent fishing in the bay. There is a little village where the people formerly maintained themselves by gathering orchil, a lichen used as a yellow dye, but this use has been displaced by aniline dyes. There is no water except a spring which comes up close to the sea among the sand dunes."

The State Department has shown the Senate that this Magdalena incident is not of the slightest international importance, as every one who has followed the affair might have prophesied. Why then are these charges repeated when in every instance they are invariably proved to be without the slightest foundation? If any one still doubts Japan's cordial feelings for us the following incident which has not received the public recognition it deserves ought to set all fears at rest. Last year when Japan learned that we were preparing to negotiate an unlimited arbitration treaty with Great Britain, she voluntarily consented to a modification of the Anglo-Japanese Alliance so that in case of war between Japan and the United States England would not have to choose between breaking her alliance with Japan or her peace treaty with us. Surely Japan would never have renounced the right to call on England for aid if she had reason to expect any future trouble with us.

And if that is not sufficient evidence of Japan's good intentions it is a fact that Japan cannot afford to fight us even if she wants. The country is at the present moment taxed almost to death to pay for the aftermath of the Russo-Japanese war. Everybody in Japan—native or foreigner—will tell you that the greatest need of the country at the present moment is commercial development. As we are by far Japan's greatest customer—taking one-third of all her exports—even should Japan defeat us in battle, the loss of our markets would bankrupt her in six months. Give her statesmen at least credit for thoroughly understanding this.

The fact is that next to the Anglo-Japanese Alliance there is nothing that Japan so courts as our good will. Even now she will do anything that we want provided she can do it with dignity. The evidence is overwhelming to any one seeking the truth. I visited Japan chiefly to learn all I could in the time at my disposal concerning her foreign policy and especially her attitude with reference to the peace of the world. I believe I had rather exceptional opportunities for finding out what I sought. It is my unqualified conviction that no people in the whole world are more sincerely desirous of peace than the Japanese.

The key to the understanding of Japan's progress since the Restoration in 1868 can be found in her two unswerving and highly ethical ambitions: first, to maintain her national integrity, and second, to become the equal of any other nation of the world in the arts of peace. She has achieved her first great purpose beyond question. The late Prince Ito said Korea was a dagger pointed at the heart of Japan. She now holds Korea which is the key to Japan and the Manchurian Railway which is the key to Korea. With these strategic positions under her control and with an army and navy that rank with the best, her integrity is practically assured from any of the land-hungry nations of the west. She has also made such wondrous progress in the arts of peace that she has nothing further to learn of western civilization, I believe, except in four departments: namely, the ethics of business, the legal status of woman, the organization of labor and the extension of adult suffrage.

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THE future of China being mainly a question of finance, the space which we devote in this number of the JOURNAL to a discussion of the loan question will probably be found to be well bestowed. No clearer, fairer, or more comprehensive exposition of the recent loan negotiations of the Chinese Government could possibly be made than that contained in the address of Mr. Willard Straight delivered at the recent symposium on the problems of Eastern Asia at Clark University, Worcester. Familiar as may be most of the ground covered by Mr. Straight, he recalls some incidents which have been forgotten, and he brings out some phases of the subject that most people will find new. In the first category of his statement that the real mission of His Excellency Tang Shao Yi when he came to Washington ostensibly to thank the American Government for its generous action in regard to the Boxer indemnity, was to negotiate a Manchurian loan with American bankers. On arriving in Washington, however, Mr. Tang advocated a much more comprehensive scheme, and proposed to Secretary Root that China should issue a loan of $300,000,000, to be utilized for a program of industrial development, for currency reform, and to finance the Chinese Administration during the period following the intended abolition of likin, and until the consent of all the Powers to an increase in the Customs tariff should be obtained. Mr. Tang desired that the loan should be international, but he proposed that the United States should take the lead, and Secretary Root promised to support the plan. With the authority of the Secretary of State and the sanction of President Roosevelt, the matter was brought to the attention of American bankers, but the project had to be abandoned, owing to the temporary loss of power by Yuan Shih-kai.

MR. STRAIGHT'S narrative of the genesis of the Manchurian Naturalization proposals of Secretary Knox is based on intimate familiarity with the subject, and lays proper stress on the share which the late Mr. E. H. Harriman had in supplying a basis for the policy of the State Department. It is already known that the scheme of bringing the Russian and Japanese railroads in Manchuria under the control of a great international company was first conceived by Mr. Harriman as a factor necessary to the realization of his dream of creating a "round the world" transportation system. But it is not generally understood that the late Prince Ito and Count Katsura, then Premier of Japan, gave their approval to a proposal that the South Manchurian Railway should be financed by an American loan, and operated under joint Japanese and American direction. Nor has the fact been

commonly recognized that agents of the Russian Government during 1906-1907 proposed to certain American bankers that they should purchase from Russia the portion of the Chinese Eastern Railway which remained in Russian hands at the end of the war. In the summer of 1909, Mr. Harriman, through a leading Paris banker approached M. Kokovtseff, then Minister of Finance and now Premier of Russia, and was assured that on his return from a trip to Vladivostock he would recommend the sale of the Russian section of the railway. Mr. Straight has, therefore, good ground for his contention that the existence of the Harriman memorandum and the attitude of the Russian Minister of Finance, aside from the broader political considerations involved, justified the American proposals.

MR. STRAIGHT discusses, with great frankness and fullness, the precise meeting of the "control" which the banking groups insist on exercising over the expenditure of the proceeds of Chinese loans and over part of the revenue which it is proposed to mortgage for their repayment. He traces the use of the word since it was first embodied in the agreement made by the Chinese Government in 1898 with the British and Chinese Corporation for a loan to the Imperial Railways of North China, and he shows that the problem as now presented to the banking groups is that of financing the reconstruction of China on conditions which would be attractive to the bond purchasing public despite the still disorganized condition of the country. The six Groups has been requested by China to furnish roughly 10,000,000 taels, or $6,500,000 a month for six months, and to provide other sums making the aggregate amount to be advanced 80,000,000 taels, or about $50,000,000. At the time this request was made, it would have been impossible to issue a Chinese loan except at a figure so low as to prejudice the quotations for Chinese bonds already on the market, in the hands of the public, not of the Groups. To furnish the sums immediately required, the banks would therefore have been obliged to discount Treasury bills, which they would have had either to hold themselves or dispose of within a very limited circle. At that time the Chinese Government was powerless to collect the taxes which it offered as security, and was unable to meet the payments due on the indemnity and other obligations, not to mention the payment of the troops or the financing of its current administrative expenses. Through this period of trial, when the permanence of the Government was by no means assured, the Groups nevertheless advanced 12,100,000 taels to enable the administration to meet the most urgent demands, and to prevent the disorders and mutiny which it feared would attend a suspension of public payments.

UNDER such circumstances, it is rather worse than nonsense for a man holding the position of Professor of Government at Harvard University to compare the Six-Power Group of bankers with the Holy Alliance which tried to crush Portugal, Italy and Spain. It is Professor Hart's conviction that China will never accept a loan under any system of control over its expenditure by foreign bankers, and in an address on this subject at Clark University, he condemned the policy of the United States Government in lending its support to the Six-Power combination which was acting together in matters of Chinese finance. There is more than enough disposition among the Chinese themselves to be unnecessarily sensitive on this subject, to make it highly undesirable that any such criticism should come from any responsible quarter in the United States. The statement cannot be too often repeated that no greater misfortune could befall China than the disappearance at the present juncture of unity between the Powers and the resumption by them of independent policies in regard to Chinese affairs. An exaggerated sense of national dignity may easily be perverted so as to bring about the very condition which would be the undoing of China, and so as to prevent the administrative and economic process of reorganization which must precede the emergence of China as one of the great Powers of the world. China can readily afford to disregard some considerations of national pride, if it can get money enough on fairly good terms to place itself in a position where it can acquire sufficient strength to defend its own integrity and stand firmly on its own feet.

WHILE for the nine months of the calendar year ending September, there has been a slight decline as compared with 1911 of both exports to and imports from China, the total export trade of the United States to Asia shows an increase of $20,500,000, and the imports have increased $9,700,000. The most notable increase in exports is in our trade with Japan. For the nine months ending with September of last year, they amounted to $27,776,230, while for the present year they are $41,157,381. The imports for the same period have increased from $56,000,000 to $59,000,000. The exports to British India which have shown a steady increase during the last few years compare as follows: For the nine months ending September, 1911, $9,382,405; for 1912 $14,448,587. It will be perceived that nearly the entire increase on our Asiatic exports are accounted for under the two heads of Japan and British India. The fact should also be noted that there has been an increase of nearly $4,000,000 in our exports to the Philippine Islands, and that of these exports $3,709,245 was in cotton cloths. As a matter of fact, the export of cotton piece goods to the Philippines was in value only a little less than that exported to China for the nine months, and in quantity, about a million yards more. Of course, conditions in China are still exceptionally unfavorable for a considerable development of trade, and for the free movement of foreign goods into the interior, but it is highly significant of the process of civilization that is going on with increased rapidity in the Philippine Islands, that the demand of the natives for clothing materials should be so obviously a growing one.

Exports of Domestic Cotton Cloths, Mineral Oils, and Wheat Flour from the United States to China and Hongkong, during the nine months, ending Sept. 30, 1911 and 1912.

EXPORTS TO CHINA.

Months.	Cotton Cloths.		Mineral Oils (illuminating).		Wheat Flour.	
1911.	Yards.		Gallons.		Barrels.	
January	5,667,644	390,359	3,915,380	180,847	58,188	210,766
February	3,854,800	222,309	4,423,824	210,643	124,428	456,053
March	7,857,697	486,439	13,340,540	797,484	34,372	131,015
April	4,443,697	286,346	13,889,920	872,772	49,158	185,742
May	12,837,965	860,882	13,275,702	902,967	11,880	46,483
June	14,000,083	960,016	10,657,551	778,634	645	2,579
July	11,063,600	788,798	15,882,570	1,148,524	1,631	6,490
August	8,680,440	625,749	7,827,602	537,398	21,926	79,752
September	7,671,189	581,168	7,857,040	572,253	61,783	237,040
Total	78,182,798	$5,360,192	91,070,129	$6,001,522	364,013	$1,355,920
1912.						
January	4,495,875	307,086	5,131,900	373,671	69,413	267,876
February	12,794,458	851,566	.....	.....	179,820	697,139
March	8,654,853	525,061	1,928,030	146,341	152,666	614,302
April	11,730,726	752,094	1,000,000	74,000	35,925	138,777
May	5,168,266	332,613	10,782,250	737,643	29,850	117,542
June	6,175,605	400,681	8,054,955	546,361	9,108	36,340
July	4,799,499	336,243	12,056,220	820,225	925	4,100
August	3,312,466	224,349	5,113,180	442,771	2,538	10,212
September	1,526,010	108,041	5,166,614	317,579	12	54
Total	58,657,758	$3,837,734	49,233,149	$3,458,591	480,257	$1,886,342

EXPORTS TO HONGKONG.

1911						
January	42,917	7,104	1,742,440	142,425	108,727	452,872
February	32,540	2,563	1,714,910	124,331	117,230	453,343
March	29,750	2,033	617,856	60,649	62,649	242,714
April	28,361	5,043	3,095,570	222,167	41,907	164,382
May	56,396	10,924	1,303,000	96,568	91,348	365,586
June	63,752	8,250	75,000	5,625	48,398	183,382
July	73,151	10,412	.....	.....	72,283	281,301
August	55,621	10,166	1,539,170	115,438	73,571	287,513
September	49,832	7,889	2,040,000	151,980	85,937	333,807
Total	432,320	$64,384	12,127,920	$919,390	364,013	$1,355,920
1912						
January	57,814	7,253	.....	.....	94,456	380,186
February	110,352	15,039	1,263,540	92,833	106,985	410,863
March	5,131	1,127	1,636,000	67,076	148,716	561,253
April	185,580	27,022	.....	.....	85,420	343,600
May	85,993	12,953	500,000	44,175	80,569	326,750
June	156,283	23,451	1,854,000	160,065	113,108	451,152
July	80,692	12,925	.....	.....	30,251	119,775
August	127,383	18,933	.....	.....	41,050	163,316
September	24,788	3,545	280	29	196,306	767,579
Total	834,016	$122,248	5,253,820	$364,178	480,257	$1,886,342

DEPARTMENT OF COMMERCE AND LABOR,
Bureau of Statistics.

WASHINGTON, D. C., November 14, 1912.

Imports of Tea and Silk into the United States for the nine months, ending September 30, 1910, 1911 and 1912.

TEA.

Imported from	1910. Pounds.	1910. Dollars.	1911. Pounds.	1911. Dollars.	1912. Pounds.	1912. Dollars.
United Kingdom	7,327,547	1,964,484	8,134,157	2,257,817	7,234,297	2,264,279
Canada	1,952,038	446,362	2,213,706	552,967	1,953,496	578,294
China	13,701,495	1,643,686	11,278,900	1,324,367	18,239,887	2,495,104
East Indies	7,260,784	1,186,634	8,259,175	1,373,324	10,069,060	1,665,341
Japan	33,553,151	6,127,772	36,524,714	6,609,382	29,143,039	5,404,000
Other countries	779,759	157,312	831,649	104,392	689,097	137,820
Total	64,574,774	$11,526,250	67,242,301	$12,258,249	67,328,876	$12,544,838

SILK.

RAW, OR AS REELED FROM THE COCOON.

Imported from	Pounds.	Dollars.	Pounds.	Dollars.	Pounds.	Dollars.
France	271,395	801,576	190,982	652,466	65,418	232,905
Italy	2,139,587	7,864,483	1,573,827	6,048,114	1,797,170	6,560,230
China	3,006,438	7,336,372	3,887,902	9,566,920	3,606,068	8,920,041
Japan	8,391,519	27,284,238	9,756,086	33,333,029	11,265,439	36,052,730
Other countries	155,710	547,659	165,568	607,341	130,710	422,303
Total	13,964,649	$43,834,328	15,574,365	$50,207,870	16,864,805	$52,188,209

THE AMERICAN ASIATIC ASSOCIATION OF JAPAN.

SECRETARY'S REPORT.

The Executive Committee begs to submit its report for the past year, for consideration at the annual general meeting to be held at the American Consulate-General, No. 234 Yamashitacho, Yokohama, Japan, on Thursday, October 24th, 1912, at 4 p.m.

There are at present 114 members on the active list, of whom 78 reside in Yokohama, 33 in Tokyo and 3 elsewhere in Japan.

Fourteen general committee meetings were held during the past year, aside from the meeting of sub-committees.

His Excellency Charles Page Bryan, American Ambassador succeeding Mr. O'Brien, was met by a delegation upon his arrival in November last. Mr. Bryan was elected to honorary membership and in January of this year was the guest of the Association at a very successful banquet held in Yokohama.

This function was the only occasion during the past year when the members of the Association met together as a body, but your committee entertained at its own expense, Consul General Sammons, before his departure on leave, and His Excellency Philander C. Knox, American Secretary of State, on the occasion of his special mission to Japan, representing President Taft at the funeral of His Majesty the late Emperor.

In March the matter of new consular buildings was energetically taken up by the committee and its individual members, by correspondence with influential societies and friends in the United States. A bill appropriating $100,000 for the purpose was introduced into Congress but failed to get beyond the committee to which it was referred: there are encouraging indications, however, that the matter will not long be allowed to rest, as there is a growing sentiment for government-owned diplomatic and consular buildings.

The Memorial Day services were favored with good weather, but owing to the possibility of rain at that season the "Gaiety" was engaged for the occasion. His Excellency the Ambassador presided and the address was given by Bishop Tucker of Kyoto. Owing to the disturbance in China no warship was available, the usual detachment of blue-jackets and band being greatly missed. Thanks are due Dr. Shipp for his kindly hospitality and aid: to Mr. Thorn for attending to the music and to the ladies for arranging for supply of flowers and other details.

Independence Day was also fortunately fair, permitting the customary ball-game, yacht races and fireworks display, without postponement. The usual trophies were presented for yacht races, golf and base-ball, the Ambassador also presenting a cup for the larger yachts. A reception conjointly with His Excellency the Ambassador was held at the Grand Hotel in the late afternoon.

The finances of the Association are in good shape; while the statement shows a smaller balance than last year this is due to the fact that the current year's dues and some other accounts have not yet been credited.

The charity fund in the hands of the Consul General is reduced to Yen 18.90. Aside from this fund, financial assistance as well as clothing was given to an Hawaiian leper in Kumamoto and an Hawaiian boy was furnished transportation to Honolulu.

During the past year three of our charter members have passed away; Mr. B. C. Howard, for many years Vice-President, Mr. E. V. Thorn and Mr. F. H. Tanner. We also lost by death Captain J. H. Shipley, late Naval Attache of the Embassy.

New members are being constantly received, but are about balanced by the number who leave Japan and are placed on the absent list.

The retiring committee, in tendering its resignation, begs to extend thanks for the co-operation of the members during the past years, soliciting for the incoming committee the same generous support.

E. G. BABBITT,
Honorary Secretary.

Yokohama, Japan, October 21, 1912.

THE EFFECT OF THE REVOLUTION UPON THE RELATIONS BETWEEN CHINA AND THE UNITED STATES.*

BY CHING-CHUN WANG, M.A., PH.D.

The Chinese people, heretofore silent and submissive, rose up so suddenly and simultaneously last year, that even careful observers were totally surprised. What was even more unexpected was the incredulous brevity and unparalleled bloodlessness of the Revolution. In less than one-third of a year, they have removed a monarchial system which had been regarded as unremovable, and introduced a democratic government which has stood the test during the most dangerous period of the last eleven months. They have done all this with a moderation and saneness which has never been paralleled before, thus setting a new standard as to how revolutions may be fought and won by peaceful methods.

Now what is going to be the effect of this upheaval upon the relations between the two largest nations on the Pacific? This question concerns us especially, for upon it largely depends the greatness of the one, the stability of the other, and the prosperity of both.

In order to ascertain this effect, we may first of all examine what this great change means. It has been repeatedly said that one of the most certain results of the Revolution will be the increase of China's foreign trade. In spite of all sorts of drawbacks, this trade has already reached the enormous proportion of 870 million taels in 1910, as against four hundred fifty-five millions of ten years ago. In other words, even behind closed doors, this trade has increased almost 100% during the short space of a decade. Enormous as this foreign trade may appear, it only represents two taels, or one dollar and a half per capita per year, which may easily be increased to five billion taels, even if every Chinese will only consume one-half as much as each of his Eastern neighbor, the Japanese. Therefore, we can see from all available signs that there is not the least doubt that this phenomenal increase of foreign trade will soon take place.

Together with this advancement in commerce, China's industries will be developed side by side. She will band every effort to utilize the enormous latent power of the millions and millions of her laborers for the development of her unlimited resources. When we recall that each one of those millions of the so-called coolies, who now idle his time away and prove to be a burden to society, on account of lack of productive occupation, has in him not only the power of making a comfortable living for himself and his family, but of adding a considerable share to the sum total of the wealth of the nation, if he is only given a fair chance to work, we may then have some idea of what that teeming millions mean. As the United States is gifted by nature with the inexhaustible power of her Niagara and other Falls, China is no less blessed by God in having an equal, if not more precious amount of power in her immense industrious population. What China is now trying to do is to turn these millions into account so that the misery and sufferings which we have heard so much about, may be changed into happiness and content, not by charity from outside but by making use of the worthiness of these sufferers themselves. The railroads—thousands and thousands of miles of them—must soon be built. Following the railway, the mines, which are not only extraordinarily rich but innumerable, must be opened. Industries will in turn spring up. Forests will be developed and agriculture modernized. In short, China will be completely transformed.

Side by side with this material development, moral and religous advancement will also engage our attention. Indeed, from what the writer has seen and heard, he feels justified to say that more effort will be devoted to the elevation of the moral and ethical standards of the people from now on than ever before, and that the belief of a single Deity will be more rigorously revived, and eventually adopted as the dominating if not the only, belief in China. This may sound impossible; but we may remember that the Chinese are a practical people, and that they are already beginning to see that there is no other religion which is more enlightening and practical than true Christianity. Moreover, true Christianity, more than any other religion, agrees with Confucianism. As a matter of fact, these two doctrines can well be moulded together so as to be mutually helpful. Christianity supplies the part which Confucius has omitted, while Confucianism, in China at least, could render Christianity not only easier to understand, but more up to date in every day life. The idea of God has been repeatedly, though vaguely, emphasized in the teachings which constitute Confucianism. Again and again, we find passages in the ancient books which refer to the Almighty as being omnipotent and omnipresent. By careful interpretation and with due notice of the difference of the religious temperament of the Chinese and the characteristics of expression in the far East, the true lovers of God could take advantage of the present change to Christianize China while the scientists and engineers are "materializing" her.

We said a moment ago true Christianity, because, like everything else, Christianity could be made to mean different things to suit various occasions, according to the degree of man's emotions or other circumstances. The apparently mechanical worship taking place all day and all over the streets in Russia does not seem to be the same thing as some of the reverent prayers offered in some of the churches elsewhere, and yet, both are called Christianity. The heartless religious massacres of the middle ages, of which more than one cult were guilty, do not appear to be much more justifiable than the massacres recently

* Lecture delivered in Clark University and published by courtesy of Journal of Race Development.

reported to be taking place in Constantinople, and yet we understand they were all done with holy inspiration and for Christian purposes. Therefore, we say true Christianity, for we do not need any more Christian superstitions in China than we need any other kind of superstitutions. True Christianity must be that which only aims at the promotion of filial piety to God and good fellowship among men. Anything that conflicts with this, to the writer at least, is not true Christianity. Therefore, we say true Christianity harmonizes, rather than conflicts, with Confucianism. The former attitude, harbored by some of implacable hostility to all religions, ethics and philosophy other than Christian, can only agree with their Christianity, and the persistent ignoring of the virtuous traditions and elevating customs which have acquired the dignity of venerable antiquity, is injurious to true Christianity itself; for such an attitude of disparaging one, deriding the other and sneering at everything else that is found in the country, incurs the risk of defeating the very object which Christianity itself aims to attain. Indeed, such dogmatic efforts are liable to disintegrate the present social fabric and bring about the collapse of the existing morality without, or at least before firmly establishing a proper substitute. Therefore, it is only by an enlightened method, Christianity may be made to bear its proper share of fruit of blessing in the regeneration of China, while by continued dogmatism, we can only reap thorny disputes.

I have spent so much time on the question of religion for I believe that in the regeneration of China, material as well as moral and spiritual advancement must go side by side. What has saved China from disintegration during all these centuries and enabled her to stand the test of age is not material prosperity alone, much less military prowess, but her sacred inheritance of integrity in business, her unparalleled love of home and her tradition of avoiding going to extremes. In acquiring what is good in the western civilization, we shall endeavor to keep what is good in the civilization of our own.

Therefore, what we are aiming at now is to remove all defects in law or custom, to do away with all that dwarfs knowledge or stifles the freedom of thought, as well as to clean away all unworthy elements in pride of race. We want to remove all these obstructions to progress, and change the past supercilious contempt for western learning and western help into enthusiastic eagerness and genuine respect. In short, we want to make a complete "house-cleaning" so that we may be able to enjoy our own inheritance as well as to contribute our share to the world. Instead of simply hearing people say it was our forefathers that first made gunpowder, invented printing, discovered the compress, and made many other useful inventions years ago, we want to do something ourselves. Many may have reasonably wondered why should the Chinese have stopped to contribute to the material advancement of the world after their early and marvelous start, and some others may have even ridiculed us of being unable to keep up the record made by our forefathers, as shown by the absence of further important material contributions to civilization. We admit our failure, with regret, in keeping up the good record of our forefathers, but we must point out that our failure has not been due to our lack, but to the strangulation and wrong application of capability. We have made little material advancement, because we have been applying our mind and energy entirely to the study of certain fossilized classics and the writing of a certain stereotyped system of essays. Think of what America could expect if she should make all her students study nothing but Shakespeare and use the ability of quoting passages from Cicero or Cæsar as the criterion for selecting her officials! And yet, with few exceptions, that has been actually what China has been doing during the last one thousand years. Even our severest critics will understand why we have failed to advance materially as much as we should, when they know that we have been led by a false system to apply our intellects and energy in such a remorsefully wrong way.

Some may say why has not China found out earlier that she was in the wrong channel. The only excuse she can offer is that her self-sufficiency and comparatively high level of development, reached a thousand years ago, led her to feel that she could get along well without any more feverish struggles for material advancement. We are an original race, unmodified and unstrengthened during thousands of years by the introduction of any foreign blood. We have been separated and segregated from all of the growing portions of humanity during all these ages, and left to act and react upon ourselves. As a result, we have obtained a great fixedness of our own characteristics. We are said to be lacking in the faculty of true discrimination; but if we were, it is because we have long been deprived of all opportunity to compare or contrast ourselves with equals, much less with superiors. We refused to learn from others, because for centuries we had been in contact with few who could teach us. We are, you may say, too closely bred and rendered near-sighted by continually gazing upon ourselves. Our faculties have been over-developed, wrongly-developed, and at the same time, perhaps, under-developed. We acknowledge all our shortcomings of the past; but we cannot yet admit that today our faculties are either too weak or too decadent. To the contrary, we have woke up and are determined to go forward and learn from all others. We may appear a little awkward in the beginning in adapting ourselves to Western methods, but we feel certain that we can make progress and finally catch up. All that we need is a little time to readjust ourselves to the new order of things. With a reasonable amount of help from our friends, and taking advantage of our inheritance, we feel we shall soon be able, not only to take care of ourselves, but to contribute to the world as our forefathers did of old; and our only plea is that we may be permitted to work out our own salvation.

What China has already accomplished only proves that she will, and is able to accomplish more. Within the short space of six years, and under almost insurmountable difficulties of both economic drawbacks from within, and diplomatic hindrances from outside, she has practically wiped out the devilish habit of opium smoking, the evil effects of, and the difficulties in eradicating which put all

other kinds of habitual vices to insignificance. She has made unexpected progress in the abolition of the time-honored and universal fashion of foot-binding, and has almost completed the removal of the queue. Moreover in the incredulously short time of forty-eight hours, she has accomplished the well-nigh impossible feat of changing her calendar of many hundred of years standing. She has done all this quietly, modestly, and in a business way. What China wants now is simply a chance to enable her intellectual, moral and material inheritance, which God has given to her and preserved for her during all these ages, to improve her own condition as well as to contribute the share which she owes others in solving the problems which are now disturbing the stability of mankind.

The Chinese have been known universally for their superiority as individuals and their weakness as a collective body. Writers say that the backwardness of China herself has been due to the lack of cohesion among the Chinese. Indeed, most of the struggles which China had heretofore were fought, not by China as a whole, but by three or four of her provinces. Once the Chinese millions can unite, their collective strength will be increased in proportion to their individual superiority. If the recent Revolution has done nothing else, it has created a unanimity of sentiment and a feeling of oneness among the Chinese people. When the cause of the Revolution was understood, the Northerner and the Southerner, the men from the East as well as the men from the West, all rushed to the revolutionary camps, eager to fight shoulder to shoulder and ready to fall side by side. Indeed, as remarked by some correspondents, such united sentiment has never been seen in China before. When the time came for a compromise, these men were just as ready to lay aside all personal considerations for the safety of the country as they were ready to lay down their lives during the Revolution. The unparalleled self-denial exemplified by ex-President Sun and others in removing all misunderstanding and in bringing about a closer union between the north and the south, are but typical of the feeling of the thinking class. Indeed, it is the unprecedented oneness of sentiment of the Chinese people that has brought the Revolution to such a speedy and bloodless end and that this unison of feeling is bound to grow and prove instrumental in the regeneration of the country.

Therefore, the recent change has brought China to a point where she can, and will, no longer remain the Rip Van Winkle of the Far East. During the coming generation, she will, to use the common expression, either have to make or break. We may see that selfishness has already led some to the Powers to think that the awakening of China is not to their advantage. They believe it is to their interest that China should sleep always and remain ignorant eternally, so that they may satisfy their insatiable lust for grabbing other people's land and property. Indeed, some have already begun to take an unfair advantage of our situation to plunder, and have advanced arguments to justify their nefarious rascality in the eyes of the world. It is hardly necessary to comment seriously upon the validity of their arguments, in so long as there is never any difficulty for Satan to quote the Scripture, when he finds it handy for his devilish schemes. Therefore, we hear that Russia bases her claim to outer Mongolia upon her recent discovery, as the Russian press says, of an old document, somewhere in Siberia, which shows that Mongolia should be taken away from China. To a less degree, England also seems to think that by some divine right, she has a claim on Tibet, etc. But as said by many impartial observers and well-wishers of mankind, these arguments however plausible they may appear, and like poetry, however elegant they may seem to their authors, are not only false and unsound, but do not even contain enough substance of reason to disguise or conceal their real underlying motives of outrageous robbery.

Some of these vultures have been lurking around us for many years, and are now becoming more impatient than ever before, for they fear that now may be their last chance. On the other hand, after having emancipated themselves by both right and blood from the imperialism of the Manchu Court, the Chinese people are not likely to suffer the imperialism of the Russians or any other people. If we should inherit the foreign debts and enormous indemnities, much of which were iniquitiously imposed upon the dissolved Manchu government, as the Powers seem to take it for granted that we do, then by all laws of mankind, we feel we should also inherit the territories which were not only indisputably under the Manchu government, but have been rightfully inherited by us from time immemorial. Even filled with deliberate prejudice, the Russians themselves ought to know by conscience that Mongolia is ours, and that their argument for claiming that territory is not only untenable, but ridiculous, or even childish, when Russia herself urges that the obligations of the same Manchu government should be met by the Republic.

Here is the danger. If such greedy Powers should purposely be so blind to the truth and actually take an undue advantage of our situation to plunder, and should the true friends of China be misled by some special interests to silently approve such plundering, they could only arouse the wrath of a people that may yet be able to protect and maintain what is right. The Chinese today feel and know what belongs to them, and are convinced by what exists in Siberia and elsewhere that subjugation by a foreign Power only means strangulation of all possibilities of advancement, both materially and otherwise. They can tolerate anything and everything but further grabbing of their land. Therefore, by permitting or countenancing these Powers to take an unfair advantage to slice territory from China, the civilized nations might drive the Chinese to revenge in such a way as to turn what is soon to become a great "hive of commerce" and prosperity into a cursed land of carnage and "Boxerism" as well as to endanger the peace of the world and paralyze the advancement of mankind, while by the exertion of a due amount of effort to maintain international justice to China during this period, they may enable the Chinese people soon to be able to take care of themselves and to contribute a great share to the promoting of honorable peace among nations as well as to the advancement of the happiness of mankind. Today, therefore, is the time when the great nations like

the United States can make the Chinese millions a mighty instrument for promoting peace and prosperity, by helping them to make their intended progress, or to drive these same peace-loving people, contrary to their will to become blood thirsty fiends for revenge, by countenancing the pending plunderings. Should the Christian Powers, above all the United States, stand inert to see the vultures swoop upon China so soon after we have undergone such a serious "operation", and made a successful effort to go forward? Would they drive us to desperate recklessness just at the moment when we begin to try all we can to carry out the very reforms and accomplish the very ends which their own people and statesmen have been trying for more than sixty years to drag us to accomplish? By concerted action, not only China but even the strongest nation in the world could be wiped out of the map! In this enlightened age of ours, could all nations show no regard for the common right of humanity, and ignore the just claims and inalienable inheritances of others? Would friendship mean words alone?

Of course we understand that nations are not benevolent institutions, and that their legitimate object is to promote the interests of the people within their charge, while the protection of the weak or the uplift of mankind are said to be only favorite expressions to suit certain occasions. But even from a purely selfish point of view, we can also see that it is of mutual and unqualified advantage that the two sister Republics should become closer and more sympathetic toward each other. Their aims, aspirations, needs, resources and many other characteristics, are extraordinarily harmonious and co-operating. All observers agree that the chief, if not the only aim, of the United States, is to develop commerce. As said Mr. John Foord, the able secretary of the Asiatic Association, the whole purpose of American diplomacy in China has been the furtherance of trade. American statesmen, business experts and veteran writers, have again and again emphasized the importance of the Chinese market. It certainly could not be of advantage to the American people as a whole, should China be Russianized or even remain weak.

On the other hand, the Chinese have made it clear since long ago that they welcome America's trade, and that, with their own wholesome traditions and unlimited inheritance, they can certainly prove of considerable value and assistance to America, at least in the matter of commerce. Sending your first ship of trade to China in 1784, the American merchant has from the outset, obtained a good footing. By leaps and bounds this trade has continued to grow ever since, until today it is second only to that of Great Britain and Japan, with a good prospect of catching up with both.

The existing trade of America, which is already approaching one hundred million taels a year, is but a small fraction of what may be expected to follow the opening up of the country. Those who know what possibilities lie in China's trade say that to increase the present figure ten times is but an easy matter, and that America should soon be able to compete even with Great Britain for the lion's share, if American merchants will only go after that trade which lies at their feet. Instead of the former closed doors which American statesmen tried hard, for many years, to hammer through, today the whole country is ready to open. The Chinese are not only willing, but anxious to trade with America, for they know that she does not grab their land under the cover of trade or Christianity, and they also feel that the wider the sphere of mercantile relations between China and the United States, the more intimate the two countries will become. The writer is happy to say that the high type of business men of both China and the United States are going to contribute no small share to the unparalleled good relations between those two countries. The recent contact with so many leading business men of this country during the writer's tour from Boston to San Francisco impresses him vividly of their sterling worth as well as their capability and readiness to promote what is good. It is also gratifying to say that in this good effort the American business man may find in the Chinese merchant a worthy and, perhaps, helpful mate. Therefore, there is every reason to believe that as your trade with China began at the beginning of your Republic, so it should take a new turn of prosperity from the beginning of our Republic, unless the United States should change her former square-deal policy.

It may also be mentioned that above all the United States is a power of the Pacific. The purchase of Alaska, the acquisition of Hawaii, the occupation of the Philippines, together with the construction of the Panama Canal, make it unmistakable that the future activity of America will largely be directed towards the Pacific Ocean. It is inevitable that it should be so, for the Pacific, as prophesied by William H. Seward half a century ago, is soon to become the center of civilization. Moreover, as it was the achievements of the Pacific in 1898 that gave the United States her place in the opinion of the world, so it will be what she accomplishes on the Pacific that upholds her position and prestige. China, in spite of her slowness, is yet able, and bound, to play an important part in determining the affairs on that Ocean. The good will of that vast country, with her teeming millions, unlimited resources, and wholesome traditions, does not only deserve to be maintained, but worthy of being improved. The open door, which in reality means more than an equal opportunity to your trade and advancement, for which your statesmen have been fighting so hard, should not be slightly sacrificed and gradually closed by a silent approval of, or inert indifference toward the land-grabbing which some of the Powers are planning to perpetrate. Because every foot of China Russianized or in any other way alienated, means just that much damage to American trade and prestige. The United States has so committed herself, and is so peculiarly related with China from the beginning of their intercourse, that the harms done to the one are bound to be felt by the other sooner or later. Indeed, "every blow aimed at the independence of that ancient empire", as remarked an able American writer, "is a blow at the prestige of this Republic, part of a deliberate attempt to make the position of the United States in the world's great hereafter that of a second-rate power." Therefore, even if we cast aside the

moral obligations which a strong nation owes to humanity, and change our question of what is best for China into what is best for the United States in China, or on the Pacific Ocean, we must still see that America is bound to profit by exerting substantial efforts to help China to struggle over her period of regeneration. In return China, as her traditions teach, will reciprocate a hundredfold.

There are, therefore, the strongest *a priori* reasons in favor of a closer and even more sympathetic understanding between the two great Republics in the world. China is slow, stupid, conservative, and everything else, but nevertheless, with her prodigious numbers, her vast extent, her unlimited resources, and her instinctive sense of gratitude, she can be a co-adjutor in Asia of no mean value.

But the question is not merely how should the two great Republics be close friends, but why will they be more intimate. To understand the future, we need only to examine the past. The relation between these countries have always been most cordial. They have never had even a quarrel, to say nothing of war. The United States is known to the Chinese as the only Power which not only has never tried to seize our land, but has always endeavored to prevent others from committing such injustice. This feeling alone is enough to insure a lasting gratitude in the heart of the Chinese. The part played by John Hay in saving China from the clutches of the Powers during the Boxer uprising in 1900, the unparalleled fairness of Mr. Roosevelt in influencing Congress to return to us the surplus Boxer indemnity, the recent efforts of President Taft in preventing interference during our Revolution, the unanimously carried resolution of Congress introduced by Govenor-elect Sulzer for the recognition of the Chinese Republic, and the enthusiastic sympathy shown us by the best type of Americans all over the country, are but few of the many favors of the United States which the Chinese people can never forget. Gratitude is not only an eminent virtue, as observed by many, but almost an inherited habit of the Chinese. As soon as circumstances permit, China will, without the least doubt, demonstrate her appreciation of the favors shown her during the time when she is helpless. Indeed, in a limited manner, she has already begun to show her appreciation. We still remember how the late Anson Burlingame was honored by China as her special embassador to Europe in recognition of his friendly help. It was out of appreciation of Ameriac's fairness in returning the surplus Boxer indemnity that China has, by her own will, decided to use that money entirely for the education of her young men in the United States, the meaning of which act must be clear to every thinking American. Indeed, the feeling of gratitude of the Chinese towards the American people as a whole, and John Hay in particular, will become more profound as we progress. When China is free from obstructions of the greedy Powers, and starts on her own way to progress, we can prophesy that the most majestic monument in honor of the Christian statesmanship of John Hay will not be found in the United States, but in China! For John Hay will become more beloved to the Chinese than to his own people.

Then again, the Chinese know perfectly well that America only desired greater trade facilities. As President Taft has recently declared that trade is the forerunner of peace and friendship. The Chinese have always believed in this doctrine, and therefore they welcome the Americans. A trade that benefits only one side of the bargain will not last long, while that which benefits both is not going to be slighted by either. Thus as our commercial relations increase so will our friendship grow. With her geographical advantages, her enormous resources and her characteristic capacity of business enterprise, America should have the best advantage over all in distributing her commerce and disseminating her influence in the regeneration of China, which is bound to follow the Revolution.

It must also be mentioned that America itself is directly responsible for the Revolution. Indeed, some even go so far as to say that it was an American Revolution, because it was so American. In the first place many of the leaders of the movements, such as ex-President Sun Yatsen, etc., were either educated in America or lived under American influence. In every revolutionary center, there were numbers of American-educated students. Therefore, as the French Revolution was inspired by America's success, so China's Revolution was brought about and won by America's education.

There must be added the fact that many Americans themselves—missionaries—educators and merchants alike—were in no small measure personally responsible for what happened in China. Besides sowing the seed of the Revolution during the last sixty years, these Americans have shown unmistakable sympathy and rendered every legitimate help to the Revolution. Indeed the Christian efforts of these self-sacrificing men in leaving their own homes and coming over to China to preach the Gospel and to diffuse knowledge, as well as their help during the Revolution itself, have contributed no small share in making the Revolution so sane and bloodless. The good results of their efforts have won not only the confidence, but also the good will of the Chinese people, and there is not the slightest doubt that these Americans will exert even a greater influence in the future.

As the seed of the Revolution was sowed by America thirty years ago in the hearts of our students who first came to this country, so the constructive work following the Revolution will be done under the influence of America which hundreds and hundreds of our leaders will receive. The handful of young men who received their education in this country have already done a great deal; but what may be expected of the hundreds of our students now found in every important educational institution of America cannot but be tremendous. These young men do not only study American text books, but they themselves become Americanized. When they return to China they do everything they can to spread the good name of America.

Therefore, since the seed of the Revolution was sowed by America, the success and saneness of it were made possible by American educated men with the help of American citizens, and the constructive work will also be done directly under American influence as well as along

principles laid down by America, we can easily see that every success China makes will mean just that much credit to the United States, while each failure she meets will no less reflect upon America.

As we realize more clearly the great influence which America has had upon this Revolution, we shall feel more grateful for our success towards her, the result of which will not only be the increase of American trade, but American ideas as well, in China. We have eight hundred students in the United States today; we shall probably have twice that number five years to come. In return, the number of your missionaries, educators, and merchants to China will increase in proportion to meet the greater demand. This exchange of goods, ideas and men between our two countries is bound to improve the understanding and mutual appreciation of each other, the result of all of which cannot but be a still closer relationship between our two nations.

We may remember, however, that these are not without some dangerous circumstances which might imperil our good prospects. We do not fear any political differences between our two nations, nor do we even need to mention the once possible irritation arising from the Exclusion Act. Concerning the difficulties arising from the latter, we believe that the best type of Americans regret the existence of such difficulties as much as we do. Moreover, we also believe in the good sense of the American people who have been and will continue to endeavor to ameliorate all the obnoxious features until the Act will no longer remain humiliating to us or unbecoming to you.

Furthermore, we also feel that we can take care of our own coolies. In the developing of our railways, mines, and manufactures, we certainly shall be in need of our own cheap labor. In addition, our uncultivated land alone will furnish employment to whatever labor we can spare, provided Russia does not succeed in stealing too much of it from us. China proper itself is estimated, on good authority, to be sufficient to maintain a population of 650 to 700 millions. In other words, by simply developing our own provinces, we can increase our population 80 per cent., and get along comfortably for at least fifty years or a hundred years, without requiring any relief by exodus. We may also venture to say that, if America keeps on increasing her population at the present rate, and with such help as Colonel Roosevelt's crusade against race suicide, and Dr. Eliot's recent preaching before the Harvard Freshmen in favor of marriage, at the end of fifty years China might have to reverse the law so as to bar American emigrants. This may seem too much like a joke. Nevertheless, it is by no means impossible. At any rate, many may have already found out that the fear of the invasion of the Chinese immigrant is passing away from the hearts of even those who used to make the loudest cry, while many others are beginning to feel the need of the help of Chinese agricultural labor. As a matter of fact, China herself disfavors the unregulated emigration of her ignorant classes as much as the United States. Under such circumstances, we need not worry the least over this unpleasant question, because it will soon die its natural death.

What seems to be the real danger lies in the unduly selfish acts which might be committed by some of the financial "promoters", who would sometimes neither hesitate to extract a pound of flesh for a pound of gold—to use the familiar expression—nor to sell the good will which others have won. This danger would become perilous should the governments be misled to sacrifice what is good for their people in the long run, for the immediate but short-lived gains of a few. I refer especially to the unfortunate act of the American China Development Company of some seven years ago, by which those promoters betrayed the confidence of China, sold the fair name of America, and incidentally brought down a wide-spread boycott against the innocent American people. A gigantic swindle is no word to express that near-sighted deal. Time and space forbid us to go into details of that transaction, which is regarded as unfortunate both by China and the United States. Suffice it to say that that was the only thing which has done so much damage to the good feeling between the people of our two countries, and that all well-wishers of both countries should try everything they can to prevent similar unfortunate acts from being repeated to mar America's fair name of the past or to damage her immense trade opportunities in the future. We call attention to dangers from such or similar sources, for it is well known that it is for such purposes that even good people may be led to misrepresent, to fabricate or to do everything else that proves expedient.

In conclusion, we may observe again that the relations between China and the United States have always been both cordial and sympathetic. As a result of the Revolution, their mutual responsibilities, as well as mutual obligations, have increased. These two great nations are bound to have a thousand times more to do with each other; and as this increased intercourse grows and multiplies, the relations between them will become more sympathetic and their friendship more intimate. Because the relationship between these two countries is not the result of mutual fear, but of mutual advantage, harmony in interest and identity of ideals.

CHINA'S LOAN NEGOTIATIONS.

Address delivered by Mr. Willard Straight at Clark University, Worcester, Mass., November 14th, 1912.

It is the purpose of this paper to explain, if possible, three things: 1st, the significance of Chinese loans; 2nd, the importance of securing and retaining an American interest therein, and 3rd, the peculiar difficulties encountered in the recent loan negotiations.

Dr. Arthur H. Smith, in that able and interesting work "Chinese Characteristics," pointed out that those who, understanding the vernacular, walk in China's streets will hear the passersby talk of little save money. As it has been with the daily life of the people so it is today with the political life of the nation. The question of money is all important. For the last ten years, and especially in the past twelve months which witnessed China's wonderful transformation from the oldest empire to the youngest Republic in the world, there has been an incessant discussion of Chinese loans.

China's Loan history may be divided into four periods—

The first, immediately after the Chino-Japan War—when funds were secured from abroad to pay the indemnity exacted by Japan at its conclusion.

The second, following the so-called "leasing years" when the great powers encouraged their bankers to finance railway construction in the regions which they had marked out as their spheres of special interest, and when besides acting as the politico-financial agents of their Governments, these bankers secured for the industry of their respective countries the orders for the materials required.

The third, following the Russo-Japanese War, when likin was pledged as security for loans and when a combination to which the American Group was later admitted was formed by British, German and French financiers for undertaking Chinese loans, and for sharing the orders for materials required for their construction.

The fourth, and present period, in which a combination has been effected between the four Groups named above and Russian and Japanese interests, for jointly financing the reorganization of the Chinese Goverment.

American bankers were first interested in Chinese finance in the second period, in the Hankow-Canton Railroad; for business, not for politics. Their rights were sold back to China who financed the repurchase by a loan obtained from the Government of Hongkong, which thus for obvious political, because geographical, reasons, secured for British interests a preferential right to finance the construction of this road in case foreign capital should later be required.

During the third period the American Group was organized and became associated with the British, German and French banking groups. The American Group, moreover, greatly contributed to the successful formation of the combination which marks the fourth period, a combination which is the financial expression of John Hay's "Open Door" policy, and which makes of international finance a guarantee for the preservation, rather than an instrument for the destruction, of China's integrity.

Before discussing the most recent phase of China's loan negotiations, however, and the manner in which the American Group at the instance of the Department of State made its entry into this field, it is necessary briefly to review the history of the past few years, and to consider the factors in the creation of what has been called "Dollar Diplomacy."

Because of this so-called "Dollar Diplomacy," President Taft, and his Secretary of State, Mr. Knox, have been subjected to no small measure of criticism. The Administration one hears has formed an unholy alliance with the Octopus; and Wall Street, the property scape-goat of our national political drama, is accused of seducing a reluctant and hitherto well-domesticated Government into the maelstrom of international financial adventure.

As if this were not sufficient, sober and intelligent journals have demanded why American capital should seek foreign fields when there is so much work to be done at home. Others admitting the desirability of foreign investment and the possible necessity of diplomatic support for those who undertake it, have objected to the Administration's assisting certain institutions in Wall Street instead of American bankers in general. It must be remembered, however, that the success of any association of American capitalists undertaking this business depends primarily on their being of such standing as command respect from financial Groups abroad and upon their willingness and ability to bear the expense of representation through tedious and too often unremunerative negotiations. Without these qualifications American Bankers are not equipped to become the instruments which our Government requires to assist in the extension of our foreign trade.

Another section of the press hails each and every oversea venture with indiscriminate enthusiasm and rhetorically preens the feathers of the Bird of Freedom, sneering at or condemning our rivals, and lauding American enterprise with impartial disregard of the real facts.

There has been too much unjust criticism, too much unwarranted praise, and too general a lack of candid exposition and intelligent comprehension of the reasons for, and possibilities of, "Dollar Diplomacy."

"Dollar Diplomacy" is a logical manifestation of our national growth, and of the rightful assumption by the United States of a more important place at the council table of nations. Our export trade is constantly increasing and foreign markets are becoming each year more and more necessary to our manufacturers. The new policy aims not only to protect those Americans already engaged in foreign trade but to promote fresh endeavor and by diplomatic action pave the way for those who have not yet been, but who will later be, obliged to sell either capital or goods abroad.

European diplomacy is engaged in solving a maze of complicated questions immediately political, ultimately commercial in character. France, Germany, Russia, Italy, Austria and Japan are endeavoring to acquire fresh fields for colonization or to create preferential markets for their merchants. Great Britain with her world-wide possessions is involved directly or indirectly, in almost every international question that arises and with these powers too, diplomacy has for years been of the "Dollar" variety.

International rivalry of this character, however, is found only in those countries whose native administrations are either decrepit or which are still militarily too weak to secure that consideration, which, unfortunately, depends not upon international equity, but upon the power of self-protection. In such lands a Government desiring to secure a market for its nationals must because of the pressure of its competitors either acquire territory or insist on an equality of commercial opportunity. It must either stake out its own claim, or, induce other interested Powers, to preserve the "open door." There is no middle course. This is a statement not of benevolent theories, but of political facts.

The people of the United States do not desire fresh territory over seas. The policy of our Government has been to secure for American merchants the "open door." American industry has until recently been too much engaged by our own domestic expansion seriously to set about the establishment of foreign markets. A far-seeing administration has therefore inaugurated a new policy, the alliance of diplomacy, with industry, commerce and finance.

This is "Dollar Diplomacy." It has been active in various ways. In South America it has aided our merchants and

manufacturers. In Central America, politics have played a more important part, and the Department of State has attempted to bring about financial reform in these smaller republics, and to prevent the recurrence of the revolutions whose leaders have almost without exception been actuated solely by a desire to acquire control of the national revenues. In China certain very tangible results have been accomplished and it is to give a more accurate conception of this much discussed, but little understood subject, that this paper is written.

Prior to 1894, China had practically no foreign debt. In 1894-1896, however, she borrowed extensively from England, France and Germany, to finance the war with Japan and to provide the indemnity which she was forced to pay at its conclusion. These loans were secured upon the collections of the Imperial Maritime Customs, a Chinese service under the control of that able Irishman, Sir Robert Hart. In 1898, however, China made a number of contracts for loans for railway construction, with British, German, French, Belgian and American syndicates. Under all these agreements the bankers were entitled to a certain share in the profits of the lines, which were themselves to be mortgaged as security for the loans, and provision was made in almost every case for joint foreign and Chinese management. The railway materials and rolling stock required were purchased from the manufacturers of the countries whose bankers undertook to issue these loans.

The cession of Formosa to Japan at the termination of the Chino-Japanese war, the occupation of Chinese territory by Russia, Germany, France and England, in 1897-8 and the exchange of "diplomatic notes" between these Powers regarding the protection of their respective interests in China, together with the signature of the railway agreements mentioned gave rise to a discussion throughout the European and American Press of the imminent breakup of China and the partition of this ancient empire into "spheres of influence."

In China the broad significance of these events was probably appreciated by but few, even of the leading statesmen of the time, but these men, nevertheless, and the gentry and official classes throughout the provinces felt that their country was becoming dominated by the foreigner. Seaports had been wrested from them, and, not content with this, the strangers were binding their helpless motherland with rails of steel.

For some years prior to 1898, the Empress Dowager had been in comparative retirement. The attempt of the young Emperor, Kuang Hsü, however, under the advice of Kang Yu Wei, suddenly to introduce widespread reform, brought this redoubtable lady to the front once more. Popular discontent, fomented by bigoted and ignorant officials was winked at if not encouraged by a Court which feared that the extension of Western influence might bring about administrative changes which would curtail their opportunities for illicit gain. The Boxer Outbreak was the result, and in 1900 the reactionaries made one last attempt to sweep the foreigner into the sea. Peking was occupied by the allied troops, the Manchu Court fled to Sianfu, and China was saddled with a fresh debt of about £60,000,000 to pay for her mid-summer madness. This was charged upon the Maritime Customs, upon certain likin collectorates and upon the salt gabelle.

In 1898-1899 the American Secretary of State, John Hay, anxious to prevent the partition of China and to protect the interests of general foreign trade against discrimination in the portions of Chinese territory already occupied by foreign powers, enunciated his "Open Door" policy. His proposition, favorably received at first and reaffirmed in the negotiations which followed the relief of Peking, won the adherence of other nations not because of any particular consideration for China but because of their mutual jealousy and their realization that partition would impose upon them responsibilities which they might find it difficult to bear.

They did not therefore surrender the ports which they had forcibly leased, but their acceptance of the "Open Door" doctrine nevertheless marked the beginning of a financial and commercial, rather than territorial, definition of their respective interests. The Russo-Chinese Bank had been created in 1895 as the chief instrument of Russian ambition in her Manchurian adventure. This institution and the Hongkong & Shanghai Bank, the Deutsch-Asiatische Bank, the Banque de l'Indo-Chine and the Yokohama Specie Bank, now became more and more generally recognized as indispensable financial means to the political and commercial ends of their respective Governments.

In contrast to the peaceful rivalry in China proper, the situation in Manchuria became more and more threatening. Russia despite her diplomatic assurances to the contrary did not evacuate this region occupied after the Boxer trouble. She persisted moreover in an attempt to acquire control over northern Korea as well, until Japan, avowedly the champion of China's integrity and the "Open Door" for the trade of all nations, declared war.

Relieved by the defeat of Russia Peking breathed more easily. This satisfaction, however, was short lived, for the Chinese soon became convinced that Japan not unnaturally intended to reap for herself and not assure to China, the fruits of her splendid victory. She had taken from Russia the Liaotung Peninsula, from which she had herself been ousted after the China-Japan War. More than that, she succeeded to Russia's rights in the railway running north from Port Arthur and in the coal mines at Fushun.

When His Excellency Yuan Shih Kai, now President of the Chinese Republic, went to Tientsin as Viceroy of Chihli Province, he had with him a number of officials, notably Tang Shao Yi and Liang Tun Yen, who had been recalled from America in the early 80's, but who had not after their return to China been given much share in the direction of affairs. Yuan soon found himself at the head of what might be called a "Reform" party, and these subordinates of his, able, accomplished and well versed in American and European methods greatly aided him in instilling new force and intelligence into the Peking Government. Administrative reforms

were demanded, the Chinese Press, hitherto practically non-existent, began to assert itself, and young men educated abroad returned to direct a "rights recovery" agitation which soon developed anti-Manchu propaganda and which found its final expression in the revolution of last year.

Peking became concerned about Japan's activity in Manchuria. Their Excellencies Hsü Shih Chang and Tang Shao Yi were sent to Mukden to establish, if possible, Chinese authority throughout the Three Eastern Provinces, and to exercise the right to develop this region under Chinese auspices, assured by the Portsmouth Treaty and the so-called Komura Convention, signed between China and Japan in the autumn of 1905.

They had no intention of interfering with the treaty rights acquired by Japan, but they wished, if possible, to induce British, German, French and American capitalists to invest in the development of this region.

In the autumn of 1907, Lord ffrench, representing Messrs. Pauling & Company, the well known firm of English contractors signed with the Manchurian Viceroy a contract for the construction of a railroad from Hsinmintun a point on the Peking-Mukden Railway, to Fakumen, with the ultimate object of extending this line north to Tsitsihar on the Chinese Eastern Railway. Japan protested on the ground that the construction of such a road would violate the provisions of the secret protocol attached to the Komura Convention, stipulating that China should build no railway parallel to or competing with, the South Manchurian Road.

Subsequently in the summer of 1908, His Excellency Tang Shao Yi signed a Memorandum of Agreement for a loan of $20,000,000, to be undertaken by American capitalists for the establishment of a bank which was to act as the financial agent of the Manchurian administration for development work. This marked the beginning of the negotiations which led to the organization of the American Group, the signature of the Chinchou-Aigun Railway Loan Agreement, the conclusion of the Currency Loan and the formation of the present Six Power Group.

In May, 1908, Congress had approved President Roosevelt's recommendation that the United States return to China a portion of the Boxer indemnity. Senator Root, then Secretary of State, and His Excellency W. W. Rockhill, then American Minister to China, suggested that the remitted funds should be expended in financing the education of Chinese students in the United States.

His Excellency Tang Shao Yi was appointed Special Ambassador, ostensibly to thank the American Government for its generous action. His real mission was to negotiate the Manchurian Loan with American bankers. On arriving in Washington, however, he advocated a much more comprehensive scheme. He proposed to Secretary Root that China should issue a loan of $300,000,000 to be utilized for a programme of industrial development, for currency reform, and to finance the Chinese Administration during the period following the intended abolition of likin and until the consent of all the Powers to an increase in the customs tariff was obtained. Mr. Tang desired an international loan in which he wished the United States to take the lead and Mr. Root promised to support this plan. With the authority of Mr. Root and the sanction of President Roosevelt the matter was brought to the attention of American bankers, but it was necessary temporarily to abandon the project owing to the dismissal of His Exellency Yuan Shih Kai from the high office which he then held in Peking.

Following the inauguration of Mr. Taft, however, the President and Mr. Knox became keenly interested and the Department of State desired, as soon as an opportune moment should arise, to reopen the question of customs revision and likin abolition, as well as currency reform, in accordance with the stipulations of our Commercial Treaty with China of 1903. With a view to taking up the proposed loan at the proper time, the American bankers, who had been interested, closely followed the situation.

In May, 1909, it became known that the British, French and German financial groups were about to conclude an agreement, to be secured on provincial revenues, for the construction of the Hukuang Railway, *i.e.*, the lines from Hankow into Szechuan and from Hankow to Canton.

The Department of State held the promise of the Chinese Government that if any foreign money were required for the construction of the Hankow-Szechuan Line one-half should be secured from American and one-half from British capitalists. The fact that internal taxes, upon whose abolition the contemplated increase of the Maritime Customs tariff depended, were being pledged as security for the new railway loan, directly affected the fulfillment of the engagement which the Department of State had made to assist China in obtaining from the other Powers their consent to customs revision.

In order, therefore, that the United States might be entitled to a practical, and not a merely theoretical, voice in this matter, as well as to assure to American manufacturers a share in the profits of Chinese railway construction and the business arising therefrom, it was essential that representative American capitalists should participate in the Hukuang Loan. The Department of State offered this opportunity to the bankers already interested in the loan proposed by Mr. Tang Shao Yi and the American Group was organized creating an instrument which it was hoped might enable the Administration not only to further the interests of American trade but effectively to assist China in obtaining the consent of the Powers to the customs revision she so greatly desired.

In the autumn of 1909, immediately following the organization of the American Group, a preliminary agreement was entered into with the Viceroy of Manchuria, by the American Group and Messrs. Pauling & Co., for the construction of the Chinchou-Aigun Railway. Much has been written regarding this subject and in Europe especially, our Government has been criticized for the

so-called Manchurian "Neutralization Proposals" advanced toward the close of 1909, and which were politely declined by Japan and Russia at the beginning of the following year. Although the story of the inception of this project does not perhaps fall directly within the scope of this paper, it may be well here to recite certain facts in connection therewith which, had they been known, might have given a very different complexion to journalistic comment at the time.

The scheme of bringing the Russian and Japanese railroads in Manchuria under the control of a great international company was first conceived by the late Mr. E. H. Harriman, as a factor necessary to the realization of his dream of creating a "round the world" transportation system.

At the close of the Russo-Japanese War, Mr. Harriman visited the Far East. In September, 1905, working closely with the Hon. Lloyd Griscom, then American Minister to Japan, he drew up with the late Prince Ito and Count, now Prince, Katsura then Premier of Japan, a memorandum stipulating that the portion of the Chinese Eastern R. R. from Kwangchengtze to Port Arthur and Dalny (now known as the South Manchurian Railway), which had been acquired by Japan from Russia under the provisions of the Portsmouth Treaty, should be financed by an American loan and operated under joint Japanese and American direction.

This project was never realized. It was blocked by the late Marquis Komura, who, raised what appeared to be insuperable objections to Mr. Harriman's plan.

Mr. Harriman, however, did not give up his idea. Agents of the Russian Government during 1906-1907 proposed to certain American bankers that they purchase from Russia the portion of the Chinese Eastern Railway which remained in Russian hands at the end of the war, *i.e.* the line running across Northern Manchuria, with its branch from Harbin south to Kwangchengtsze. The Russians stated that they were willing to sell in case Japan also could be persuaded to dispose of the South Manchurian Railway.

In this connection it should be remembered that the agreement between China and the Russo-Asiatic Bank for the construction of the Chinese Eastern Railway, provided that China might repurchase the line after 36 years and that it would in any case revert to China at the termination of an eighty year period.

Japan under the Komura Convention had been recognized by China as successor to the Russian rights, under this agreement, to the portion of the road acquired after the war.

It was proposed therefore that an international syndicate should anticipate the operation of this clause and repurchase the line on China's behalf, at this time, rather than later.

The scheme was discussed with Mr. Tang, during his stay in Washington, in the autumn of 1908 and he expressed the opinion that China would be glad to cooperate. An important Japanese financier who had been informally advised of the plan, however, stated that Japan would be unwilling to acquiesce therein.

Notwithstanding this fact the negotiations with Russia were continued and, in the summer of 1909, Mr. Harriman, through a leading Paris banker, approached M. Kokovtseff, then Minister of Finance, now Premier, of Russia, and was assured that on his return from a trip to Vladivostock, upon which he was about to start, M. Kokovtseff would recommend the sale of the Russian Railway. This he did in a public address on his return to Moscow.

The existence of the Harriman memorandum, and the attitude of the Russian Minister of Finance aside from the broader political considerations involved, justified the American proposals. An entente had been arranged between Japan and Russia, however, in 1907. Both powers were greatly disturbed by the neutralization scheme and thanks to the understanding reached by M. Isvolsky the Russian Minister for Foreign Affairs, and Baron Motono the Japanese Ambassador in St. Petersburg, they refused to join in Secretary Knox's plan. Russian objections to the Chinchou-Aigun project, as well as the conditions imposed by Japan as precedent to her participation therein, moreover prevented the construction of this road.

Furthermore lest there should be any further misunderstanding as to their attitude these powers in the convention of July 4th, 1910, agreed jointly to safeguard their respective interests in Manchuria—an arrangement which, though undoubtedly a natural one, was not, it must be admitted, calculated to assure to China herself the right to develop this territory.

In May, 1910, an arrangement was reached with the French, German and British Groups for the participation of the American Group in the Hukuang Loan. At this time the three groups first mentioned invited the American Group to join them in the combination which they had effected the year before for undertaking Chinese loans.

This invitation was later accepted and an intergroup agreement was signed in November, 1910.

On October 27th of that year the American Group had concluded a preliminary agreement for a £10,000,000 loan, to finance China's currency reform and to undertake certain industrial enterprises in Manchuria.

When the American Group was first organized, and actively supported by the State Department, was seeking participation in the Hukuang Loan, Secretary Knox had declared that the American Government believed that the interests of China and of international trade with that country could best be served by the friendly cooperation of the great lending nations and their banking groups.

It was in pursuance of this policy that the American Group entered into the combination with the other groups and admitted them to equal participation in the Currency Loan, the final contract for which was signed on April 15th, 1911.

The final agreement for the Hukuang Loan was also signed with China by the same parties on May 20th of that year.

In the present negotiations with China for the Reorganization Loan, as in fact in all loan negotiations during the past few years, the banking groups have found their greatest difficulty in the settlement of the question of "control." It may be well therefore before giving the story of the recent negotiations to review briefly the history of this much discussed term.

The word "control" has for some time commonly been used to denote the guarantees against improper expenditure of loan funds which the banking groups, in a greater or less degree, have insisted upon securing, and to which the Chinese Government has from time to time reluctantly agreed, and constantly endeavored to modify.

"Control" in the at present accepted sense of the word was first embodied in the Agreement made by the Chinese Government in 1898, with the British and Chinese Corporation, for a loan to the Imperial Railways of North China.

Under this Agreement, and is several others concluded at about this time, the lenders, besides securing a first mortgage on the railway whose construction they financed, were entitled to a share in the profits of the line.

For this reason and also because of the inexperience of the Chinese in railway matters, the bankers required assurances that the loaned funds should be so expended that the mortgaged property would constitute a sufficient security.

They furthermore obtained a certain share in the management of these lines in order that there should be secured therefrom an adequate return, (to a certain percentage of which the Banks were entitled) and to prevent the administrative inefficiency and fraud which they feared if the operation of these railways were placed entirely in Chinese hands.

The original railway loan agreements embodying the provisions above described were all concluded prior to the Boxer outbreak of 1900.

The final Shanghai-Nanking and Canton-Kowloon Agreements (the Canton-Kowloon Agreement slightly modified the "Shanghai-Nanking" terms) confirming these stipulations were signed in 1904 and 1907 respectively. The Tientsin-Pukow Loan Agreement concluded in 1908, however, substantially altered these conditions.

Its signature marked the first recognition by the Banks of the increasing efficiency of the "Young China" party. These men demanded the radical modification of the old loan terms. They considered "control" subversive of China's sovereign rights and flattered by the blandishments of rival foreign interests, they were determined to exact from the World a consideration similar to that accorded Japan after years of patriotic self-sacrifice and conscientious endeavor. The avowed purpose of these officials to weaken the hold of the foreigner on China was heartily applauded throughout the provinces. It served as a patriotic issue on which an appeal could be made to the masses and a cloak under which the provincial gentry could cover their real purpose, which was to restrict the extension of the Peking Government's authority by railways built with foreign loans, or otherwise, and their determination that if foreign loans were made, the chances for peculation should not be monopolized by the metropolitan mandarins.

Under the Tientsin-Pukow contract the Chinese Government, by a cash payment redeemed the right held by the Banks under the original agreement signed in 1898, to a share of the profits of the railway. No mortgage on the line was given. The loan service was to be met from the earnings of the road or from certain provincial taxes; and in this Agreement it was for the first time stipulated that, in case of default on the loan service, the hypothetical revenues should be administered by the Maritime Customs Service. The principle of joint management was abandoned. The Banking Groups, however, insisted that the Chinese Government should employ foreign engineers for the construction of the line, and during the life of the loan, and that requisitions on loan funds specifying the purposes for which these sums were to be applied, should be signed by the Director General. The construction accounts of the railway were to be open to examination by foreign auditors to be appointed by the Banks. Under former loan agreements the auditors had been empowered to stop the withdrawal of funds in case the Chinese officials were found guilty of speculation. This authority was not conferred by the Tientsin-Pukow contract and the effect of this modification soon became apparent.

The so-called "Tientsin-Pukow" terms, however, did not prove to be an effective guarantee against "graft".

From the commencement of the construction of this line there have been numerous scandals, the most flagrant instance resulting in the degradation of the Director General and a number of his subordinates. The cost of construction has far exceeded even the most liberal estimates, and the loan service will therefore constitute a heavy charge on the revenues of the line.

Owing to the unsatisfactory operation of the so-called "Tientsin-Pukow" terms, negotiations were conducted in the winter of 1908-1909 between the British, German and French Groups and their respective Governments with a view to reaching an understanding as to the degree of "control" to be demanded from China as a condition precedent to future loans.

There are different versions as to the exact course of events in China at this time. It is, however, sufficient to state that in conducting *pour-parlers* with the Chinese authorities for a loan to construct the Canton-Hankow Railway, the representative of the British and Chinese Corporation at Peking refused to agree to "Tientsin-Pukow" terms and insisted on more effective "control." The representative of the German Group, however, accepted these conditions and secured the contract. The diplomatic protests and recriminations amongst the bankers which followed resulted in a compromise under which the British and Chinese Corporation was subordinated

to the Hongkong and Shanghai Bank, which with its French associates, combined with the German Group, to negotiate a loan to cover not only the Hankow-Canton but the Hankow-Szechuan Railways. The Agreement was initialled on the 6th of June, 1909, and the "control" provisions accepted by the Banks were similar to those embodied in the Tientsin-Pukow Agreement.

The inclusion of the loan for the construction of the Hankow-Szechuan Railway in this operation entitled American interests to the participation which the American Group eventually secured.

Rivalry between the British and German Groups had enabled the Chinese in the original Hukuang Agreement to secure "Tientsin-Pukow" terms despite the fact that the operation thereof had demonstrated that more stringent "control" provisions were needed.

Furthermore, during the year which elapsed before an agreement was finally reached between the British, German and French Groups and the American Group, there was an ever-increasing "anti-loan" agitation in the provinces through which the Hukuang lines were to be constructed. Provincial Railway Companies were formed and secured from the vacillating Peking Government rights which violated the terms of the Agreement initialled with the "Tripartite Banks," and in which the Chinese had agreed the American Group should be given a participation.

The National Assembly, the forerunner of the proposed Chinese Parliament was convoked for the first time in the autumn of 1910. Its members from the outset interested themselves in the question of finance and showed a determination to scrutinize government expenditures, which the bankers felt would serve to restrict, even though it might not prevent, official peculation.

The National Assembly, moreover, was entitled to pass upon all Government loans and was known to be opposed to a foreign loan for the construction of the Hukuang Railways by the Central Government, instead of by the Provincial Companies. Sheng Kung Pao, Minister of Communications, was determined, however, to build the Hukuang lines, and in response to the protests of the Assembly he pointed out that in negotiating the loan in question, he was fulfilling an obligation entered into in 1909, prior to the convocation of the Assembly, by the Grand Councillor Chang Chih Tung. He was obliged, therefore, to adhere as strictly as possible to the terms of the original contract, and would not, and could not have consented to any new "control" conditions at this time.

In this arrangement the Bankers acquiesced, feeling that the punishment inflicted after the Tientsin-Pukow frauds and the surveillance of the National Assembly over the expenditure of loan funds, as well as the difficulties by which the Central Government was confronted, justified them in confirming the "control" provisions of the original agreement.

The Currency Loan was of a different character, coming under the head of "Government" or "administrative" loans. Practically the only loans previously falling within this category had been required to pay indemnities abroad and there was no necessity therefore that the lenders should exercise "control" over their expenditure. The Currency Loan, however, was to carry out a definite programme and not for general administrative purposes. The four Banking Groups now acting in harmony believed some form of supervision to be necessary, and it was thought that the "control" machinery devised for railway loans could, with certain modifications be utilized for assuring the proper application of the borrowed funds under the Currency Reform Programme.

The Chinese had reluctantly agreed to various control provisions in Railway Loan Agreements, but they feared that to admit the principle of supervision over administrative expenditures would be to pave the way for foreign control over China's general finances. An arrangement was finally made, however, whereby China submitted to the Groups her programme of Currency Reform for their acceptance, and agreed to expend the loan funds in accordance therewith, to publish quarterly reports of disbursements made, and to engage a foreign expert to assist the Bureau of Currency Reform.

The loan has not been issued but it is open to question whether this "control," in practice, would have prevented peculation, and insured the proper expenditure of loan funds, and the effective operation of the Currency Reform Programme.

Immediately following the outbreak at Wuchang, on October 11th, 1911, which marked the beginning of the revolution in China the representatives of the four banking groups in Peking were approached regarding a loan to the Imperial Government. The Manchus, however, seemed unable to cope with the rapidly developing revolt and the Groups were unwilling to advance funds to a government whose continued existence seemed problematical. Their Governments moreover decided to observe absolute neutrality as between the contending factions and refused to approve any loans to either side. The financial history of the Revolution has been ably told by Mr. George Bronson Rea in the *Far Eastern Review* and in this account those who are interested may read of the various negotiations, practically all of them unsuccessful, undertaken by both the Imperial and Republican authorities during this period.

The Prince Regent of China retired on December 6th, 1911, turning over the reins of government to Yuan Shih Kai, whom he had dismissed three years before at a time when he stood out, as he does to-day, as the only man capable of coping with China's domestic troubles and the difficulties by which she is threatened from abroad.

The Emperor abdicated on February 12, 1912, and on March 10th Yuan-Shih-Kai was inaugurated as provisional President of the Chinese Republic.

The present loan negotiations with the Chinese Government were commenced in the middle of February, when the acting Minister of Finance, His Excellency Chou-Tzu-Chi, approached the representatives of the so-called "Four Groups" (*i.e.*, British, German, French and American) at Peking, and asked for an immediate loan.

On February 26th, Mr. Tang-Shao-Yi, representing the Republican Authorities at Nanking, arrived in Peking for the purpose of arranging a Coalition Government. On the following day, at Mr. Tang's invitation, the representatives of the Four Groups discussed with him the question of the loan broached some days before.

Mr. Tang stated the immediate requirements of the Chinese Government, and requested the representatives to ask their Groups to finance the same. In addition he discussed the Chinese Revenues available as security for a large Loan to reorganize the Chinese Administration, and to initiate a scheme of commercial and industrial development. He asked the representatives how much China could borrow on this security, and finally, himself suggested the figure of £60,000,000, which he wished the Banks to loan in fire annual instalments of £12,000,000 each.

Pursuant to Mr. Tang's request for an immediate advance, the Groups on the following day paid in Shanghai the sum of Taels, 2,000,000, to meet the urgent requirements of the Nanking authorities.

The four representatives had reported Mr. Tang's request to their Principals in Europe and America. No reply had been received when on the night of February 29th a number of the Chinese Troops quartered in Peking mutinied, looted and burned portions of the city, and openly defied the authority of the Provisional Government. On the following day, March 1st, it was suggested to Mr. Tang that it would be desirable that he should make some statement to reassure the Groups who were considering his proposition, regarding the probable effect of the outbreak, and the ability of the Government to cope therewith.

Mr. Tang's explanation was unsatisfactory, and the burning and looting continued on the night of March 1st. On March 2nd, acting under instructions from Yuan-Shih-Kai, the acting Minister of Finance requested from the Four Groups an immediate advance of 1,015,000 Taels. He stated in his letter that the President appreciated that in view of the critical state of affairs in Peking, the Groups would not be prepared to lend this money without the authority of their Governments, and requested the representatives to secure the necessary sanction from their Ministers as soon as possible.

Though Mr. Tang in order to justify the signature of the "Belgian loan" subsequently stated that the Groups had refused to render assistance when approached after the mutiny of February 29th, no other requests for immediate advances other than that mentioned above was received by the Groups at this time.

The seriousness of the situation at this time is shown by the fact that on the same day Mr. Tang-Shao-Yi had addressed a note to the British Minister stating that he feared the Peking Authorities would no longer be able to control the situation, and requesting the Diplomatic Corps to take steps to assist the Chinese in preserving order. Yuan-Shih-Kai later denied having authorized Mr. Tang to take this action.

On March 9th the necessary authority having been received from the Four Governments, the Groups advanced the sum requested under an exchange of letters, which

1. Assured to the Groups the firm option for furnishing "the further monthly requirements of the "Chinese Government for the months of March, April, "May and June, and if necessary, July and August" and

2. In view of the assistance rendered the Chinese Government in advancing the sums mentioned above as well as in undertaking the contemplated advances for monthly requirements and maintaining Chinese credit on the markets of the world (by paying Chinese loan interest coupon charges which the Chinese Government itself had been unable to meet), the Chinese Government assured to the Groups the firm option on the Reorganization Loan (provided their terms were equally advantageous with those otherwise obtainable).

From the proceeds of this projected Reorganization Loan it was intended to redeem the Treasury Bills, which were to be issued to cover the advances.

So urgent were the needs of the Chinese Government, that the Four Groups did not at this time arrange the terms upon which they would discount these Bills, it being impossible to settle this point until after the Conference in Europe of the Four Groups, which had been called for March 12th.

The terms on which the Groups were prepared to undertake this business were not, however, communicated to the Chinese Authorities, for on the evening of the 14th the four representatives learned that an agreement had that morning been concluded with the so-called "Belgian Group" for a loan of £1,000,000 carrying an option for a further large loan.

This transaction was completed at a time when the President and Mr. Tang knew that the representatives were hourly expecting a definite reply from the Four Groups to the proposals made by Mr. Tang on February 27th.

The signature of the "Belgian Loan" was virtually the first official act involving the new Administration's relations with foreigners. It was a clear breach of contract. The Groups, more especially the British, French and German, had since the outbreak of the Revolution in October, been themselves advancing funds to pay interest charges on Chinese Loans which they had issued. They had done this to protect the public to which they had sold Chinese Bonds, and to protect the credit of China where they had very large vested interests.

Despite the chaotic conditions throughout the provinces, and the absence of any really effective authority in Peking the Groups with the support of their Governments had been ready to advance to China funds sufficient to put the Peking administration on its feet at a time when no public issue of Chinese Bonds was possible, in order to do their part in assisting the restoration of stable conditions.

The signature of the Belgian Loan, however, affected the security for the large loan which the Groups had been asked to undertake—and it carried no guarantee whatsoever that the funds furnished or to be furnished would be properly expended, it increased China's liabilities without insuring any increase in the effectiveness of her administration and instead of rehabilitating, it was calculated to prejudice, her credit.

The "Belgian Loan" Contract had been drawn subject to ratification by the "Advisory Council" at Nanking.

Despite the protest made by the Four Group representatives on March 15th, Mr. Tang urged, and finally pursuaded, the Council to ratify this agreement, on the ground that the Four Groups had refused to assist China after the outbreak of February 29th. There is no evidence that Mr. Tang at this time informed the Council of the assistance which the Groups had rendered, and were prepared to render, or of the existence of the letters of agreement of March 9th.

The British, German, French and American Ministers on March 25th formally protested against the conclusion of the "Belgian" loan. Mr. Tang Shao Yi, then Prime Minister in the newly organized Cabinet nevertheless attempted to secure further funds from the "Belgian" Group. This failing, the Chinese Government on April 15th replied to the Minister's protest describing the signature of the "Belgian" Loan—and the violation of the letters of agreement of March 9th, as a "misunderstanding" and requesting the Ministers to instruct the Group representatives to resume negotiations with the Premier on his return to Peking.

The Four Ministers refused to accept the explanation offered, and insisted that the Government should admit its breach of contract with the Four Groups.

This condition was accepted and negotiations were resumed. During the next few weeks the Groups paid over further amounts, making the total sum advanced 12,100,000 taels, or approximately £1,800,000. Agreements, covering these later advances were signed on May 17th, and June 12th under which, after considerable difficulty, the Chinese had been persuaded to agree to the safeguards which the Groups considered essential to assure the application of the loan funds to the payment of troops and to the other purposes for which they were borrowed.

At the request of their respective governments the original four Groups with the approval of Yuan Shih Kai had agreed to admit banking interests designated by the Russian and Japanese Governments, to a participation in these transactions, and after protracted and most delicate negotiations an agreement was reached between the six groups on June 20, 1912, in Paris, regarding the conditions upon which they were prepared jointly to undertake the proposed Reorganization Loan to China.

The Groups were presented with the problem of financing the reconstruction of China on conditions which would be attractive to the bond purchasing public despite the disorganized condition of that country. To appreciate the difficulties which they were obliged to take into consideration, it is necessary to summarize the situation existing at this time.

They had been requested by China to furnish roughly 10,000,000 Taels or £1,300,000 a month for six months and to provide other sums making the aggregate amount to be advanced 80,000,000 Taels or about £10,000,000.

It would have been impossible to issue a Chinese loan at this time except at a figure so low as to prejudice the quotations for Chinese bonds already on the market, in the hands of the public not of the Groups. To furnish the sums immediately required therefore the Banks would have been obliged to discount, Treasury Bills, which they would have either had to hold themselves, or dispose of to a very limited *clientele*.

These advances were required to pay the army, to finance the disbandment of superfluous troops, and to meet the current expenses of the Government. The large loan was to be expended to redeem the Treasury Bills, to clear off arrears in China's indemnity and loan services, and to meet certain pressing outstanding obligations. Mr. Tang proposed to use the balance to make up the loss of likin, which he desired immediately to abolish, pending the consent of the Powers to an increase in the customs tariff. In addition he had certain vague schemes for railway construction, afforestation, and the establishment of mills of various sorts.

For the advances and large loan requested the Chinese Government proposed to pledge the Salt Gabelle as security. The service of the Boxer Indemnity is a first charge on this revenue. It was estimated however that it now yields Taels 47,000,000 per annum—and could be increased to at least half as much again if honestly collected.

The Chinese Government at this time was powerless to collect the taxes which it offered as security and was unable to meet indemnity and loan payments, to pay troops or to finance its current administrative expenses and its permanence was by no means assured.

During the course of the negotiations, from February to June the Chinese officials had shown little appreciation of the magnitude of their financial task and had evinced little ability in dealing effectively therewith.

The Groups nevertheless had advanced Taels 12,100,000 in order to enable the administration to meet its most urgent needs and to prevent the disorders and mutinies which it was feared would occur unless funds, which the Government could not secure from its own people, were obtained.

These advances had been made subject to certain conditions to insure their proper application to the purposes for which they were borrowed yet the Chinese officials charged with their expenditure had placed every obstacle in the way of a proper and efficient audit, to which they had agreed.

Patriotic Chinese, proud of their Republic and hopeful and confident of its future may regret the necessity of including such facts in this statement. These men, however, if they be fair minded, must admit that the Banking Groups, no matter how friendly they might be to China, would not have been warranted in disregarding them.

Because of these facts the Groups were unwilling to undertake the business without the joint support of their respective Governments. Because of these facts, moreover, they deemed it possible to proceed with advances and to undertake the Reorganization Loan only on certain conditions which were briefly as follows:—

First, That the Groups should have the right to satisfy themselves as to purposes for which funds were required.

Second, That China should herself create a system of audit in which foreigners should be employed with executive not merely advisory powers, to ensure the effective expenditure of loan funds for the purposes specified.

Third, That the salt taxes to be hypothecated for the service of this loan should be administered either by the existing Maritime Customs organization or by a separate Chinese service like the Customs, however, under foreign direction, thus safeguarding the proper administration of the security despite the possible continuation or recurrence of unsettled conditions in China.

Fourth, That the Groups should take the first series of the loan of £60,000,000, at a fixed price, and be assured an option on the subsequent series at a price to be based

on the market quotation of the first issue, thus giving China the benefit of any improvement in her credit.

Fifth, That to protect the quotation of bonds issued and to assure a successful marketing of subsequent series China should not borrow through other Groups until the entire loan of £60,000,000 had been issued.

Sixth, That for a period of five years China should appoint the Groups Financial agents to assist the Administration in its work of Reorganization.

These conditions were submitted to the Chinese Government and in reply the Group representatives in Peking were informed that it would be impossible for China to accept a loan on such terms. Negotiations, however, though interrupted, were not formally broken off, and from the end of June discussions were continued between the Chinese officials and the Group representatives, but without result.

The difficulty was not a question of the price at which the Bankers should take the bonds. It was the question of "control." The Chinese particularly objected to placing the Salt Gabelle under the Maritime Customs, or any foreign directed service, and to the creation of a proper audit department to appointing the Groups Financial Agents.

It has of late years become the fashion, particularly among officials, who like Tang Shao Yi, and Liang Tun Yen served for a short time in the Maritime Customs to criticize Sir Robert Hart and his administration. Mr. Drew will give you an account of the life and work of this man, one of the truest friends China ever had.

The younger men, however, forget his splendid service—they do not realize that he did much to save their country, for them, from foreign aggression, and it galls them to admit that for years the Customs Service has been, and is to-day, with the exception of the Postal Service, also created by Sir Robert Hart, the only branch of their entire Government which can, if judged by Western standards, be termed efficient.

The suggestion that the Salt Gabelle should be put under the Maritime Customs therefore, was refused, nor would the Peking authorities agree to create a similar organization to undertake this work. Chinese and many foreign critics have pointed out that the Customs Service functions at the ports—and that it would therefore be unsuitable for the collection of internal revenue. The Postal Service also under foreign direction, however, has been successful in its work, conducted throughout China, while customs officials have shown great ability in dealing with likin collectorates and in solving customs problems in the interior of Manchuria.

The Groups have not insisted upon the exact form the proposed administration should take. They have, and do, believe that the Salt Gabelle does not constitute, and cannot be considered, an adequate security unless by placing these taxes under a Chinese Government Service,—but with foreign direction, inspectors, and auditors,—an efficient and honest collection be assured.

In the present state of China when the Peking administration has by no means established its authority—when cabinets are formed and dissolved with kaleidoscopic rapidity, when revenues are not being collected, and when there are large bodies of armed men throughout the country, ready at any time to break into open revolt—the Groups felt that before engaging to undertake so large a loan as that requested, they should be able to be in a position to guide and advise China in her reorganization work, the success of which depends primarily on sound finance. It was for this reason that they asked to be appointed Financial Agents.

Many of the leading men in Peking have privately recognized the wisdom of the Group's conditions and the advantages to be gained should China accept them. Officially, however, these gentlemen have not dared recommend their adoption, fearing that their political opponents might make any concession to the foreigner the excuse for stirring up an agitation which they would be powerless to quell.

THE CHINA LOAN SITUATION.

From The Far Eastern Review.

An interesting situation was reached on August 30th last in connection with China's efforts to overcome her financial distress, when the final agreement for a loan of £10,000,000 was signed in London by the Chinese Minister. This loan has been in course of negotiation for some time past, and in view of the attitude of the six great Powers in committing themselves to support none but the banks connected with the Sextuple Group of bankers, every effort was made to preserve secrecy in order to obviate obstruction. By the time of the signature of the final agreement the Chinese Government was assured that the loan would actually materialize, and there was considerable jubilation (which however proved short-lived) in official circles in Peking owing to the belief that at last the Government would be able to dispense with the services of the Sextuple Group and find a free field elsewhere in which to seek for the financial aid so sadly needed.

To understand and appreciate the motives for such a desire it is necessary to trace briefly the efforts of the Government to secure finances from the time when the International Group, then composed of banks representing Great Britain, America, Germany and France, broke off negotiations owing to the duplicity practised by the Government in floating what is known as the Belgian loan, which far reaching and misguided action was fully described in the April issue of the *Far Eastern Review.* When negotiations were resumed after that escapade the Chinese Government expressed its willingness to discontinue negotiations with the Belgian Group, which had advanced £1,000,000, and to negotiate with the International Group for a large loan, preliminary advances to be made in the meantime to enable the Government to pay its soldiers and provide for essential administrative disbursements. On May 17, therefore an agreement was come to by the Group with the then Minister of Finance,

Mr. Hsiung Hsi-ling for an advance of Tls. 3,000,000, half to be used in Shanghai and Nanking and half in Peking, the amount to be treated in the agreement with a sum of Tls. 2,000,000 advanced by the bankers on February 28, and Tls. 1,100,000 advanced early in March before the rupture of negotiations in the latter part of that month. The Agreement covering these preliminary advances comprised a letter from the bankers and certain regulations mutually agreed upon by the bankers and the then Minister of Finance. The advances were to be delivered against the issue of Treasury bills bearing the same date, and secured by the revenue of the Salt Gabelle, and were to be redeemable from the proposed reorganization loan. The expenditure of the funds comprised in these advances, (this was the first point upon which the ultimate deadlock hinged) was to be under the inspection of a foreign and a Chinese auditor, and therefrom arose the wild agitation against the introduction of foreign "supervision" of China's finances. It is necessary to explain this because of the stress laid by the Chinese upon the term "supervision." As a fact the alleged supervision amounted to no more than the appointment of a foreign and a Chinese auditor, and a staff to work with them apart from the Minister of Finance, the duty of the auditors being to sign all orders on the bankers for funds. In addition, the Ministry of Finance engaged to furnish the bankers with specific statements of the objects upon which funds obtained from the advances account were to be expended, the statement to first have the approval of the National Council and be published in the Official Gazette. In so far as the disbandment of troops was concerned the Bankers also made stipulations which were vigorously contested. They had evidence that various provinces claimed troops far in excess of the number actually in service as soldiers, and they endeavored to arrange to avoid fraud, that the disbandment should be carried out by foreign and high Chinese military officers. This added fuel to the fire of opposition caused by the suggestion of a foreign auditor, and the local Commissioner of Customs and a Chinese official were ultimately agreed to as sufficient to satisfy the needs of the moment. But these stipulations for "supervision" placed a weapon in the hands of the opponents of President Yuan Shih-kai of which they took immediate advantage and wielded to such good purpose that the Peking Government was compelled to listen to the clamors coming from the provinces against foreign loans, and do its utmost to overcome the reluctance of the bankers to lend money without "supervision." The Government found the Bankers unable to reduce their terms, and the difficulties that confronted them from prolonged impecuniosity persuaded them to accept the terms, at least for the preliminary advances. The pleadings of the Government induced the Group to modify the demand as to the supervision of the disbandment by military officers, but the bankers would not forego the appointment of auditors. The scruples of the officials in that regard were therefore suppressed and an auditing branch having been established further preliminary advances were made on June 12 and June 18, a sum of Tls. 3,000,000 being paid over in each case, making a total of Tls. 12,100,000 in all.

Meantime efforts were being made to obtain a large loan for reorganization purposes from the Bankers upon modified terms, but the bankers plainly intimated that whilst they were prepared to lend money they could not see their way to do so unless upon the same terms already offered,—auditing of expenditure and reform the Salt Gabelle. On June 15 the Premier, Mr. Tang Shao-yi left the Capital and abandoned his portfolio, and about this period the Group of four was enlarged by the entrance of banks representing Russia and Japan, the entree being the result of the bankers, conference held in Paris. On June 24 the bankers waited upon the Premier, Mr. Liu Cheng-hsiang and notified him that the Group had been extended and that the only conditions upon which they would be able to lend the large amount required by China was upon the latter undertaking radically to reform the Salt Gabelle, (the revenue of which was offered by the Government as security) and place it under European management as was the case with the Maritime Customs. The Government objected and an interruption occurred in the negotiations which seemed to suggest to the Foreign Ministers that the situation might be relieved by a visit from them to the Premier, and consequently they waited upon Mr. Liu and the Minister of Finance, Mr. Hsiung. They made it plain that they had been instructed that their respective Governments would sanction no loan except under the terms which the Sextuple Group had already made known, and gave reasons why China could not expect anything else. The interview terminated after Mr. Hsiung had presented his ideas as to the reform of the Salt Gabelle, quoted below, and after he had again pronounced the terms to be impossible. Though agitators continued to endeavor to raise sufficient money for Governmental purpose by a Patriotic loan, the scheme ultimately failed. The Government continued frequently to express its need of money, and repeated the demand for £10,000,000 immediately and advances of Tls. 6,000,000 per month until October, and at that period another £10,000,000 to absorb the previous advances, again proffering the revenue of the unsupervised Salt Gabelle as security. The Group declined, adhering to their previously stated terms. The deadlock thus created lasted some time, when the Minister of Finance sent an ultimatum to the Group in which he stated that he had waited for a reply to the proposition mentioned above and had not received it, and that if the Group would not lend money the Government would feel itself free to go elsewhere for the funds it needed. The reply of the Group was, naturally, that they were quite willing to lend money to China but only upon the terms previously submitted, and this evoked a further declaration from the Minister of Finance that they were impossible. He, however, expressed the hope that another conference would be held to see if a basis for agreement could not be reached, but at the same time reserved

the right to go elsewhere in an effort to raise the loans required.

The Chinese agitators naturally enough used the argument to further their own political ends, that the Group was refusing to lend money upon reasonable terms, and by their agitation embarrassed the President to such an extent that at one time it looked as if he could no longer retain his position much less hold the country together. However, the political parties defeated their own object and finding the patriotic Loan a fiasco withdrew their oppositions after a time and subsided. The Government meantime had been listening to the subtle declarations and seductive overtures of several loan negotiators and had given the provinces permission to borrow for themselves. As a result of the latter there was an unavailing scramble for money. Those who have previously talked in millions could not, when put to the point, raise thousands nor even hundreds, and quickly it was found that grave difficulties really stood in the way of obtaining money on the foreign markets. The Government learned for the first time perhaps that the foreign money market was not the easy and obliging medium that they had supposed, and that instead of the financiers of the world being ready to tumble over one another's heels to hand out millions to China they were positively reluctant to part with even hundreds of thousands or, for that matter anything materially helpful, unless upon the guarantees of their respective governments. The frame of mind which the bankers and the various governments had long ago reached, was that the time had come when a period must be put to indiscriminate lending to China upon intangible security, or upon security which could not be controlled by the leaders in the event of an internal break down or repudiation by the Chinese Government. Particularly was this view accentuated by the difficulty experienced by the President in forming a stable government. The foreign governments could not and would not back a mere man. Though the President may be the strongest man politically, as also from a point of view of statesmanship, in the country, he could not be backed as an individual. Death or deposition would put quite a different force in power, and the new comers might very easily decline to shoulder any millions borrowed by their predecessor. It is thought, indeed, that a future government would be well pleased to wipe out the great accumulating debt by repudiation, and though such an act would at once place China in the melting pot, this the lenders of to-day are not going to risk. On the question of the reform of the Salt Gabelle, however, it must be said and it is interesting to point out, that the parties in the negotiations have never come upon a common ground of discussion. The Chinese had never asked for details of the Bankers' proposals for reform, and the Bankers had never offered them but in very general terms. On the other hand all that the Chinese had offered were included in the memorandum quoted hereunder, which seems to satisfy their claim to accept "reform" of the Gabelle.

The financial needs of the Government were increasing with the effluxion of time, and inspired with the hope of raising a handsome amount negotiations were carried on with a loan promoter who was backed by a new and independent group of bankers, connected with which were the names of prominent London Banks. A preliminary agreement was signed in July, and a final one on August 30, for a sum of £10,000,000, and the terms given out were that the loan was for forty years at 95 and 5% interest, and secured upon the unmortgaged portion of the Salt Gabelle and land transfer taxes. As a fact the terms were later reported to be less modest, the Government accepting the loan from the promoters at 89, the promoter to issue it to the public at 95 and any profits secured above that figure to be divided with the Chinese Government. Great secrecy was maintained with regard to this loan negotiations for which were carried on unbeknown to the Group or the Legations, but news of it leaked out in the first week of September, and opposition at once began.

The result was that the Chinese Government was compelled to again realize that foreign money could not be easily acquired against the approval of the governments, and on September 16 the National Council was informed that the Government would be compelled to give up hope of raising an independent loan and would have to go back to the Group. That day a further advance of Tls. 3,000,000 was sought, but the Bankers were shy to a degree, though the amount would no doubt have been forthcoming upon a distinct declaration from the Government that it would suspend negotiations with all other sources and confine itself to the Group, accepting their terms with regard to security. It is more than of passing interest to notice how these preliminary advances are disposed of, and we are able to give below a detailed list of the expenditure of the amounts advanced between May 17 and June 18.

The following is the text of the memorandum regarding the Salt Gabelle which was handed to the Foreign Ministers by the Minister of Finance:

"Owing to smuggling and, corruption, the annual salt revenue of this country in the late Manchu Government was a little over 40,000,000 taels. The Government now proposes to create a Government Monopoly in selling salt and will not permit the salt manufacturers and the merchants to come into touch, as they will certainly exercise corruption to the detriment of public revenue. The plan is this: that the Government will buy the salt directly from salt manufacturers at a reasonable price and then resell it to the salt merchants.

"But to carry out this scheme there will be two periods:

1st period: The Government will still allow these salt merchants who possess the certificates to continue their business, as they have vested interests; but as above stated it will buy from salt land all salt, resell it to salt merchants and put a tax on every 100 catties we sell.

2nd period: A year or two after the execution of the method mentioned in the 1st period, the Government shall dismiss all salt land-merchants in the interior and

shall set up modern scientific factories in all the coastal provinces to manufacture salt bricks as is done in Holland now. By this method the monopoly of salt-selling territories shall be done away with and the Government will be the sole proprietor, and will receive tax on salt at the places of its production.

Now the total population of the Republic is about 420,000,000 and if each one consumes 13 catties a year, the total yearly consumption of salt will be about 5,460,000,000 catties.

"Now if we levy a tax of two dollars per 100 catties we should get a yearly revenue of $109,200,000 which is equal to 78,600,000 Chingping Taels. This proposed rate is far less than that of the old rate of the Manchu Government which was 2½ taels or about 3.50 per 100 catties. Thus we see that with a reduced rate of taxation which will lessen greatly the burden of our people and yet we can derive a yearly revenue of 78,600,000 taels and the excess over the old revenue is 38,600,000 taels per year.

"But in carrying out our plan mentioned in the second period a capital of 50,000,000 taels is necessary for buying salt which will at a rate of ½ taels per 100 catties cost about 27,000,000 taels and the rest for the erection of salt warehouses and factories, engines, etc. Then of course the yearly revenue will be proportionately increased."

Following are the disbursements from the preliminary advances between May 17 and June 18:

FIRST INSTALMENT OF PROVISIONAL ADVANCES: 3,000,000 TAELS: MAY 17, 1912

	1912	taels
President's Bodyguard	May 22	90,000
Various divisions under the direct control of the Board of War	"	735,000
Right guard of the Wu Wei Regiment	"	60,000
Vanguard of the Wu Wei Regiment	"	20,000
Uniforms of the Imperial Bodyguard	"	20,000
Imperial Bodyguard	"	40,000
Salaries of the Military Advisory Office	"	10,000
Salaries & Expenditure of the Metropolitan Police	"	80,000
Military Court	"	3,500
Battalion of Infantry	"	20,000
Imperial Pension	"	19,049.864
Bannerman Allowances	"	339,861.6496
Redemption of Military Notes at Shanghai	"	1,500,000

SECOND INSTALMENT OF THE PROVISIONAL ADVANCES: 3,000,000 TLS. JUNE, 12

	1912	taels	
Board of War	May 13	702,584.72	
Metropolitan Police	June 18	61,371.61	
Infantry Police	" 18	40,000.	
Bannerman Allowances	" 15	326,133.466	
President's Bodyguard	" 14	150,000	
Right Guard of Wu Wei Regiment	" 14	126,819.968	
Vanguard of Wu Wei Regiment	" 14	86,644	
Uniforms and expenditures of Imperial Bodyguard	" 15	120,000	
Military Court	" 15	6,757.7	
Allowances for Naval students abroad	July 4	18,770.53	K. F.
Remittance fee (of above)	" 5	260.22	"
Allowance for Naval students in Paris and Coal for Haichi	July 12	54,380.68	K. F.
Expenditures of all crews	" 17	60,561.8	taels
Torpedoes, Hospitals, Cablegrams, Medical supplies, etc., etc.	" 17	5,526	"
Allowance for Military students abroad	June 12	29,418.62	K. F.
Redemption of Military Notes at Shanghai	"	1,000,000.	taels

THIRD INSTALMENT OF PROVISIONAL ADVANCES: 3,000,000 TAELS, JUNE 18, 1912

	1912	taels
Imperial Pension	June 26	500,000
Disbandment of troops at Nanking		600,000
Disbandment of troops at Shanghai		200,000
Disbandment of troops at Yangchou		200,000
Disbandment of troops at Pukou		200,000
Military expenditure at Chefoo and Tengchou		417,417
Commutation of Rice for garrison at East and West Tombs	1912 June 28	100,000
General Staff Building	" 26	30,000
Bureau of Printing and Engraving	" 26	10,000
Parliament Building	" 26	10,000
Supreme Court Building	July 11	24,893.8
President's Bodyguard	Aug.	168,202.2
Bannerman Allowances	"	322,569.6

The combined sums enumerated above do not exactly equal the amount of the provisional advances, there being some small items not yet reported.

CHINA AND HER DEPENDENCIES.

When the Powers decide to recognize the Republican Government of China will that Government have ceased to enjoy proprietary rights over its immense dependencies, Mongolia, Manchuria, and Tibet? That is the question that is now being asked by everyone who takes an interest in Far Eastern affairs, and the answers vary in accordance with the prejudices, hopes and preconceptions of those who are daring enough to express their views. The importance of the matter can be partially gauged by a consideration of the extent of the territory involved. The eighteen provinces of China Proper contain an area of about 1,500,000 square miles. The area of the dependencies is over 2,500,000 square miles. Should these dependencies elude China's slackening grasp, out of every 400 square miles of the former Empire 250 will have been lost.

Before the revolution Manchuria was acknowledged by treaty to be an integral part of the Chinese Empire, though the special interests of Russia in the North and Japan in the South were tacitly recognized. Mongolia was admittedly a portion of the Imperial dominions and negotiations in connection with this region had always been conducted with the Peking Government. In other words the sovereignty of China over Mongolia was acknowledged, and especially by the Power principally interested—Russia. The position in Tibet was a little different. Here the Chinese Government exercised suzerainty, but not sovereignty. An endeavor to assert sovereignty had been made, however, with some success. The Dalai Lama had been driven to India and China had seized the machinery of government.

With the success of the Republican arms in China proper an entirely new situation was created. In Man-

churia outwardly things remained much the same, but Mongolia declared its independence of China. It is claimed with apparent justification, that Russia has, at least informally, countenanced this action on the part of the former dependency. The Hutukhtu, the "Living Buddha," has become the ruler of the new state. Tibet was also encouraged to endeavor to regain her independence, and she succeeded in expelling most of the Chinese troops who had held the country in subjection since the flight of the Dalai Lama.

That there was very real danger of her dependencies being lost to her was recognized by the Peking Government, but internal chaos and lack of funds prevented any systematic measures being taken to preserve her ancient rights. However, endeavors were made by moral suasion to induce Mongolia to come into the Republican fold. Mongolia refused to listen to the voice of the charmer, and began to arm to resist any attempt on the part of the Republic to effect by force a result that could not be achieved by persuasion. Munitions, training and advice are said to have been lent to the new state by Russia, and it is also declared that a brisk trade in arms has been carried on by enterprising Japanese from Manchuria. At the present moment hostilities are proceeding in Mongolia, though necessarily with two unrecognized governments in conflict no formal declaration of war has been made.

The expulsion of the Chinese troops from Tibet, encouraged the Dalai Lama to start on his return to Lhassa. But a popular agitation in Szechuan for the despatch of an expeditionary force to reassert Chinese authority in Tibet had resulted in a force, led by the Tutuh in person, starting for Lhassa. These Chinese troops have had several encounters with the Tibetans near the frontier, but reports are conflicting in regard to the measure of success achieved. The despatch of this force, however, was sufficient to make the Dalai Lama doubtful and he paused on the journey to his capital to give the matter further thought.

In the meantime an event had taken place which is generally considered to have had an important bearing on the future of China's dependencies. Prince Katsura and Baron Goto journeyed to St. Petersburg and there had important discussions with the Russian Prime Minister and the Minister for Foreign Affairs. These conversations were curtailed by the death of the late Emperor of Japan, but it is believed that an agreement was arrived at in regard to the interests of Russia and Japan in the northern dependencies of China that was highly satisfactory to both. There seems, also, to be some ground for the belief that Great Britain and France, as allies of Japan and Russia, were kept fully informed of what was transpiring, and some surmise that they gave their assent to the understanding that was eventually reached.

A diplomatic bombshell was exploded at the feet of the Peking Government in the middle of August when the British Minister presented a memorandum in which Great Britain demanded a return to the *status quo* in Tibet as established by the Anglo-Chinese Convention of 1906. The British interpretation of that Convention was that it gave no power to China to administer the internal affairs of Tibet, nor to despatch a military expedition thither. China was recommended to confine her activities within these bounds and to prepare to negotiate a new convention with Great Britain, otherwise the Republican Government would not be recognized. China is said to have replied stating that, as Tibet is Chinese territory, she considers it her duty to preserve the peace of the country, and it was with this in view that she had despatched a military expedition. She was agreeable to revert to the *status quo* and to withdraw the Szechuan expedition.

This is a hastily executed sketch of the situation as it existed early in September. The action of Great Britain is generally interpreted to mean that she has associated herself with Russia and Japan in the policy of weakening China's hold on her dependencies. If Russian influence becomes paramount in Mongolia and Turkestan, as seems inevitable, the interests of India would demand the establishment of Tibet as a buffer state. British policy in the Far East is governed by the necessities of India and it is thought that the British Government concluded that India's interest would be best served by establishing another Afghanistan between her and Russia. The alliance with Japan and the strong friendship with Russia, which are invaluable to Great Britain in view of possible European complications, prevented her, even if she so desired, from raising any objection to the understanding with regard to China's northern dependencies. Policy dictating her abstention from an appearance in the role of defender of that ancient shibboleth "the integrity of China," she was driven to join forces with those who see their opportunity in China's weakness. This represents the view taken by the average unprejudiced observer, Chinese or foreign. He believes that Russia, anxious to secure freedom to build the long talked of Kiaktha-Urga-Kalgan railway, encouraged the Mongols to proclaim their independence with the ultimate object of establishing herself as the paramount power in Mongolia. Japan was induced to regard this scheme without disapproval by the admission by Russia that Inner Mongolia fell within her sphere of influence. Great Britain, being unable to protest in view of her alliance and friendship, took the step that seemed most likely to protect the interests of India and announced herself as the supporter of Tibet's demand for virtual independence.

Assuming that this is a fairly correct interpretion of the motives that have been animating Russia, Japan and Great Britain, the question arises is anything likely to be done by any other Power to prevent the logical outcome of the policy of these three nations? France, who is closely watching Yunnan's tentative movements towards independence with interested eyes, is not likely to raise any protest. The only other Powers that need be considered are the United States and Germany. The United States has always been a sincere advocate of the Open Door in China and of the preservation of the country's territorial integrity. The late Mr. John Hay, when Secretary of State, blocked the establishment of spheres of influence in China and the present Secretary, Mr. Philander C. Knox, recently secured the adherence of Germany to a re-affirmation of the policy of the open door. But, can the United States afford to rebuke Great Britain and Russia for their policy in regard to Tibet and Mongolia? The world has not forgotten the circumstances that surrounded the acquirement by the United States of the Panama Canal Zone. Negotiations had been carried on with the Republic of Columbia for the acquirement of the strip of territory required without success. Suddenly, at a singularly opportune moment as far as the United States was concerned, the Columbian province of Panama declared its independence. The Government of the United States promptly recognized the Republic of Panama, took it under its protection and obtained from it the cession of the Canal Zone. With these facts on record it is difficult to see with what justification the United States could object to the Russian procedure in regard to Mongolia or to Great Britain's action in supporting Tibet. Germany it may be assumed is not likely to constitute herself the champion of China. Unless, therefore China can herself by diplomatic means, military methods being obviously out of the question, safeguard her rights there seems little possibility that she will retain possession of her dependencies.

—*The Far Eastern Review.*

FOREIGN TRADE OF CHINA.

Notwithstanding the political disturbances in China during the last quarter of last year the value of the net foreign trade of the Republic advanced over the previous record year of 1910. The direct foreign trade was valued at $551,747,369, an advance over 1910 of $1,169,030. (The values in this report have been converted from haikwan taels to American currency at the rate of 65.25 cents for 1910 and 65 cents for 1911.)

This growth in the trade was due to the increased imports, the value of which amounted to $306,477,562 compared with $302,084,593 for 1910. The exports of native goods decreased, their value being $248,493,746 and $245,269,807 for 1910 and 1911, respectively. The large increase in the value of imports for 1910 over 1909 was due principally to the enhanced value of opium, while last year's increase was principally due to the greater value of kerosene and textile goods.

An important event in connection with the opium trade was the revision of the agreement between China and Great Britain as to the imports of Indian opium into China. The outbreak of political troubles no doubt somewhat hindered the steady progress of opium reform in China, but there is no reason to question the final outcome of the crusade.

Hongkong led in the value of the foreign trade with China during 1911, followed by Japan, United Kingdom, United States, Russia, British India, France, and Germany in the order given. The United States was fourth in the value of imports into China and fifth in the amount of purchases from that country. A large portion of the trade credited to Hongkong, however, originated in or was destined for other countries, the port being used in most cases for transshipping.

Aided by excellent harvests in those districts unaffected by flood, and in spite of the plague, trade at the Manchurian ports and marts made steady progress during last year. At Newchwang, imports during the last quarter of the year suffered from the scarcity of ready cash owing to the unsatisfactory condition of the money market at Shanghai, while exports were affected by short supplies due to climatic causes, although increased in value over 1910. There was a large increase in both imports and exports at Darien, although the former were affected by a tendency to retain cargo within the leased territory owing to risk of giving credit in the interior in troublous times. At Antung the results achieved were satisfactory and the prospects for the present year were most encouraging owing to the inauguration of through traffic between China and Chosen (Korea) via the Yalu railway bridge.

The foreign trade of the Manchurian ports during last year amounted to $114,532,356, of which $44,197,910 represented the net foreign imports, $10,239,059 the net native imports, and $60,095,387 the exports to foreign and to native ports.

The satisfactory condition of the foreign trade during the first nine months of last year is emphasized by the large increase in the imports of cotton piece goods. The imports of plain cottons—shirtings, sheetings, drills, jeans, and T cloths—amounted to 16,160,251 pieces, compared with 10,434,590 pieces for 1910, 16,077,831 pieces for 1909, 11,708,817 pieces for 1908, and 9,711,904 pieces for 1907. In addition to the imports of piece goods of 1911 given above, there were large blocks imported in bond.

Of the imports for last year, 11,317,630 pieces were British, against 6,511,126 for 1910; 1,988,061 pieces American, against 1,385,819 for 1910; 2,832,625 pieces Japanese, against 2,389,693 pieces for 1910; and 21,935 pieces Indian, against 147,952 pieces for 1910. The imports of British plain cotton piece goods in 1907 amounted to 8,224,951 pieces; American, 578,647 pieces; Japanese, 840,401 pieces; and Indian, 67,905 pieces.

According to the returns of the Shanghai General Chamber of Commerce, the stocks of all kinds of piece goods on hand at the end of last year amounted to about 7,000,000 pieces, or more than at the end of 1909, although at the end of 1910 they were reduced to some 4,000,000 pieces. It is estimated, moreover, that owing to the difficulty of getting returns of bonded goods the stocks on hand were much larger than the figures indicated.

There was a large decrease in the imports of cotton yarn, compared with 1910, chiefly in the Indian variety. The imports of Japanese yarn fell from 125,023,136 pounds in 1910 to 102,287,088 pounds last year.

The native cotton mills increased their output over 1910. There were 34 mills with 932,506 spindles and 4,635 looms reported in the country at the end of last year. The estimated output of these mills was 280,000,000 pounds of yarn and about 1,390,050 pieces of cloth 40 yards long.

The statistics show a substantial increase in the value of the imports of foreign clothing, hats, boots, and gloves. There was an unusual demand for foreign hats and caps, and to a lesser extent for foreign boots and shoes, hosiery, underclothing, and suits. Japanese manufactures had for several months a busy and profitable time in supplying the cheap cloth caps, which came into almost universal use in the larger centers of population in middle and southern China as the queue disappeared, and many Chinese factories have been established to cope with the demand. Straw and felt hats of various kinds have also been imported in large quantities.

There was a large increase in the imports of flour, chiefly American, at several ports, attributed to the failure of the Chinese harvests. At Chefoo, the imports increased from 4,000 hundredweight of 112 pounds each in 1910 to 120,000 in 1911.

The imports of kerosene were the largest on record, amounting to 235,898,240 gallons, or an increase of 74,508,657 gallons over 1910. The American product made the greatest gain, being about 61,000,000 gallons, followed by Borneo and Sumatra oils with a gain of about 6,000,000 gallons each.

Considering that for the last three months of 1911 the export trade was at a standstill in the most important collecting centers in central and southern China, it is evident that but for the political disturbances the figures for last year would have far exceeded any previous record.

The leading item in the export trade is silk and manufactures, constituting about 25 per cent. of the total exports. Other important items are tea, beans and bean cake, hides and skins and furs, vegetable oils, sesame seeds, raw cotton, wool, and straw braid.

The total value of silk products(including raw white, yellow, and white, steam filature, waste, piece goods, and pongees) exported last year amounted to over $60,000,000 worth. The silk trade of both Shanghai and Canton suffers from the persistent Japanese competition. The change of dress, especially in head gear, is also having a depressing influence on the trade. High prices for cocoons, due partly to increased taxation in Chekiang, combined with a decline in prices of steam filature silks, following the tightness of money caused by the political disturbances, operated agains' the Shanghai filatures,

many of which had to be closed. The Chefoo pongee trade was checked by plague in the early part of the year, and in August the native weaving establishments were damaged by heavy rains, so that normal supplies were not forthcoming until the end of the year.

The United States came fourth in the foreign purchases of Chinese silk, exclusive of piece goods and pongees last year, preceded by France, Italy, and the United Kingdom. The exports to the United States were made up as follows, in pounds: Perceled, 1,250,800; cocoons, 1,169,866; raw wild, 836,133; steam filature, 720,267; waste silk, 301,600; raw white, 15,866; yarn waste, 12,000; yellow, 8,800; and refuse cocoons, 1,333.

The total quantity of tea exported last year was about 195,000,000 pounds compared with about 208,000,000 pounds for 1910. The most striking feature of the tea trade was the falling off in shipments to Russia. In 1910 the total exports to that country were 133,906,000 pounds, while last year they were but 110,245,501 pounds. The United States bought 2,137,867 pounds less, while Great Britain imported 2,463,067 pounds in excess of 1910.

Black teas were in good demand, and Great Britain was again a good purchaser, taking 18,390,000 pounds for blending purposes, as compared with 14,967,467 pounds in 1910. The United States purchased 11,903,067 pounds, against 7,085,467 pounds in 1910. Russia increased its purchases of the black leaf to 33,914,800 pounds, an excess of 2,766,267 pounds over 1910. Exports of black brick tea to Russia, however, fell from 43,952,132 to 37,262,967 pounds.

China's export of green tea leaf seems not to have suffered in bulk by reason of the restricting influence of United States regulations, as 30,898,268 pounds left the country as compared with 39,477,733 pounds in 1910. The United States bought 6,757,067 pounds less, but Russian purchases advanced 4,464,800 pounds, and those of the Continent of Europe 1,915,467 pounds. British India was also a good customer for green teas, taking 3,280,800 pounds, as compared with 1,500,667 pounds in 1910. Shipments of green tea to Russia in bricks during 1911 declined 18,827,744 pounds. The trade in brick tea is confined entirely to Russia, and large depreciations occurred in both the black and green varieties.

The first nine months of 1912 have registered large decreases in the import trade and conditions have been unfavorable generally for merchants engaged therein. The year 1911 closed with congestion of cargo at all ports of entry, and such lack of confidence that, even though demand has been forthcoming, credit necessary to move cargoes was absolutely denied.

Conditions did not seem to have changed to any extent at the beginning of October of this year except that there was much better demand for foreign goods and local dealers feel that with a slight modification in the attitude of the native banks with regard to credit facilities the volume of trade might be considerably increased. Without this credit cargoes can not move freely. Only such goods as are paid for are being delivered to the upcountry dealers and credit is altogether absent between the local native merchants and the upcountry dealers. Consequently the clearances continue unimportant and stocks in the hands of foreign merchants and banks are heavy, interest, insurance, warehousing and the like adding to their ultimate cost to the native merchant each day.

Some of these stocks are enormous, there being, for instance, on July 1, enough piece goods in Shanghai alone to supply the normal demand for six months, and clearances are far below normal. Other lines are congested to a less degree, but almost without exception staple lines will be hampered for some months to come by this undigested surplus.

On the other hand, export business, which came to a standstill at the end of last year, has assumed normal proportions and cargoes are arriving freely at the seaports and being as freely shipped out. The question of confidence by the native banks does not enter into this business and it is impossible that the export figures for 1912 will exceed those for 1911.

The number of foreign residents in China for 1911 was 153,522, an increase of 11,654 over the preceding year. Of the total for last year, 3,470 were Americans, a gain of 294 over 1910. There was a decrease of 376 in the number of foreign firms operating in China last year compared with the previous one. Of the total of 2,863 for last year, 111 were American, a gain of 11 over 1910.

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The case for and against the retention of the Philippines will be found fully set forth in this number of the Journal. The question is one of immediate interest, not so much because of the favor shown to the Jones' Bill in the House of Representatives, as because the party which will control the Government of the United States after the fourth of March stands repeatedly pledged in its national platforms to the early concession of Philippine independence. The accepted Democratic formula runs as follows: "We favor an immediate declaration of the nation's purpose to recognize the independence of the Philippine Islands as soon as a stable Government can be established, such independence to be guaranteed by us as we guarantee the independence of Cuba, until the neutralization of the Islands can be secured by treaty with other Powers." The purpose of the Jones' Bill, as defined by its author, is to establish in the Philippine Islands a provisional government more liberal and autonomous in character than that created under the provisions of the act of Congress of July 1, 1902, this temporary government to begin on the fourth day of July, 1913, and to continue for the period of eight years thereafter. In other words, there is to be a probationary period of eight years during which the Filipinos are to be permitted to enjoy a larger measure of popular self-government than they now have. It is further provided that on and after the 4th day of July, 1921, the United States shall relinquish all rights of sovereignty over the Philippine Islands, and grant to the inhabitants thereof full and complete independence. While the Jones' Bill may secure a majority in a Democratic House chiefly intent on making "a record," its passage by the Senate, as now constituted, is highly improbable. But even should it pass both houses, it would unquestionably encounter the Executive Veto, over which there are certainly not enough votes to be had to effect its enactment.

Whether a Democratic President and the Democratic leaders in Congress, when compelled to assume the entire responsibility for a step so momentous as that contemplated in the Jones' Bill, will be as warm advocates of Philippine independence as they were when in opposition, remains to be seen. The entire question is one to which the majority of the American people have been steadily indifferent. With the exception of a handful of rabid "anti-imperialists," as they choose to call themselves, and a little knot of Democratic politicians who take their cue from Mr. Bryan, only a few people have thought of our Philippine policy as one of the live issues of the hour.

If it be destined shortly to become so, the necessity of educating public opinion in regard to its merits, must be apparent. The first requisite is to clear the question of the glosses by which it has been obscured by the demagogues and the fanatics, and make plain the conclusion broadly stated by President Taft, that there is no substantial difference of opinion among any of those who have had the responsibility of facing Philippine problems in the administration of the Islands, and that no one to whom the future of this people is a responsible concern, can countenance a policy fraught with the direst consequences to those on whose behalf it is ostensibly urged. The President's position is that our duty to the Filipinos is far from being discharged. Such advance as has been made in education does not yet cover more than half the ground, and freed from American control, the whole system would slip back into inefficiency and disorder. So also, with the enormous increase in the commercial development of the Islands; with the great progress made in the public works for the benefit of the Filipinos; with the advance in sanitation; with the training in self-government, and with the evolution of a national spirit. While wonderful results have been accomplished under all of these heads, since the final suppression of internal disorder in the Islands, the work is, in regard to all of them, only in its initial stages, and to interrupt it now would be to sacrifice pretty nearly everything that had been accomplished.

THE President uses what to any fair mind must be regarded as an unanswerable argument against interference with the existing conditions in the Philippines when he says: "Disregarding even their racial heterogeneity and the lack of ability to think as a nation, it is sufficient to point out that under liberal franchise privileges only about three per cent. of the Filipinos vote, and only five per cent. of the people are said to read the public press. To confer independence upon the Filipinos now, is, therefore, to subject the great mass of their people to the dominance of an oligarchical and, probably, exploiting minority. Such a course will be as cruel to those people as it would be shameful to us." The answer of the majority report on the Jones' Bill to this simple statement is a string of sounding generalities. It surely does not meet the objection on the score of illiteracy to say that more persons in the Philippine Islands speak and write the English language than speak and write any other language or dialect, any more than it affords an effective reply to the proved Filipino indifference to the suffrage to point to the able members of the race who occupy places in the judicial and executive departments of the Insular Government. This nation would certainly not be discharging its full duty to these people by regarding their desire for immediate independence as a sufficient reason for granting it and by leaving them free to incur the penalties of a demonstrably rash experiment.

A SENSIBLE advance appears to have been made toward the solution of China's financial problem by extending the list of British and French banks who are prepared to participate in the emission of the Six-Power loan. The British group has been enlarged by admission to it of the London County and Westminster Bank, the Paris Bank, Baring Bros. & Co., and J. Henry Schroeder & Co. Thus the feeling which was created by having the Hongkong & Shanghai Bank the sole representative of British capital in the combination has presumably been neutralized. An interesting memorandum from the Inspector-General of Customs which has been sent by cable also serves to improve the financial outlook. There is, as is generally known, a considerable deficit in the payment up to date of the indemnity arrears. Mr. Aglen estimates that the surplus of customs revenue on hand at the end of this year will be sufficient to wipe out a considerable fraction of that amount. It seems an entirely safe assumption that 1913 will be a better year for trade than its predecessor, and therefore that the surplus revenue from the customs will go on increasing. The present high price of silver, which is likely to continue, is also very much in China's favor, since it enables her to met her foreign debts with a smaller expenditure than usual of her silver currency. If the constitutional convention which is about to meet, gets through its work without serious interruption, the process of administrative reorganization may be expected to begin in earnest, and a good many troublesome questions relating to the financial rights and obligations of the provinces should be finally adjusted.

MEANWHILE, the figures of our trade with China are by no means satisfactory. For the ten months ending with October, our exports to China and Hongkong, including Japanese and German leased territory, amounted to $26,850,000. Against this there were imports valued at $31,500,000. On the other hand, our export trade with Japan continues to show a rapid increase. It was $19,500,000 for the first ten months of 1910; $31,300,000 for 1911, and it has been $45,000,000 for the ten months of the current year. Our imports from Japan, although not increasing so rapidly, continue to be considerably in advance of the exports, the figures being, for 1910 $57,900,000, for 1911 $62,800,000 and for 1912 $70,000,000. It is mainly due to the increase of our exports to Japan that the total amount of American exports to Asiatic countries has increased from $76,500,000 for the first ten months of 1911 to $96,000,000 in 1912. But British India has had some share in this result, the export figures being $15,800,000 for the ten months ending with October, 1912, against $11,000,000 for the same period of 1911. As will be perceived, from the tables following, the export of cotton piece goods to China for the ten months has been 30% less in value than it was for the same period of last year. It is an interesting fact that for these ten months the Philippine Islands took from this country 5,000,000 yards more than did the once premier Chinese market. Our entire exports to the Philippines for the ten months have amounted to over $20,000,000.

Exports of Domestic Cotton Cloths, Mineral Oils, and Wheat Flour from the United States to China and Hongkong, during the ten months, ending Oct. 31, 1911 and 1912.

EXPORTS TO CHINA.

Months.	Cotton Cloths.		Mineral Oils (illuminating).		Wheat Flour.	
1911.	Yards.		Gallons.		Barrels.	
January	5,667,644	390,359	3,915,380	180,847	58,188	210,766
February	3,854,800	222,309	4,423,824	210,643	124,428	456,053
March	7,857,697	486,439	13,340,540	797,484	34,372	131,015
April	4,443,697	286,346	13,889,920	872,772	49,158	185,742
May	12,837,965	860,882	13,275,702	902,967	11,880	46,483
June	14,000,083	960,016	10,657,551	778,634	645	2,579
July	11,063,600	788,798	15,882,570	1,148,524	1,631	6,490
August	8,680,440	625,749	7,827,602	537,398	21,926	79,752
September	7,671,189	581,168	7,857,040	572,253	61,783	237,040
October	6,901,562	484,934	5,660,580	406,178	55,740	216,175
Total	58,084,360	$5,845,126	96,730,709	$6,407,700	419,763	$1,572,095
1912.						
January	4,495,875	307,086	5,131,900	373,671	69,413	267,876
February	12,794,458	851,566	.....	.....	179,820	697,139
March	8,654,853	525,061	1,928,030	146,341	152,666	614,302
April	11,730,726	752,094	1,000,000	74,000	35,925	138,777
May	5,168,266	332,613	10,782,250	737,643	29,850	117,542
June	6,175,605	400,681	8,054,955	546,361	9,108	36,340
July	4,799,499	336,243	12,056,220	820,225	925	4,100
August	3,312,466	224,349	5,113,180	442,771	2,538	10,212
September	1,526,010	108,041	5,166,614	317,579	12	54
October	2,503,112	184,290	.....	.....	262	1,071
Total	61,160,870	$4,022,024	49,233,149	$3,458,991	480,519	$1,887,413

EXPORTS TO HONGKONG.

1911						
January	42,917	7,104	1,742,440	142,425	108,727	452,872
February	32,540	2,563	1,714,910	124,331	117,230	453,343
March	29,750	2,033	617,856	60,649	62,649	242,714
April	28,361	5,043	3,095,570	222,167	41,907	164,382
May	56,396	10,924	1,303,000	96,568	91,348	365,586
June	63,752	8,250	75,000	5,625	48,398	183,382
July	73,151	10,412	.....	.....	72,283	281,301
August	55,621	10,166	1,539,170	115,438	73,571	287,513
September	49,832	7,889	2,040,000	151,980	85,937	333,807
October	44,343	7,410	830,000	81,956	251,607	993,047
Total	476,663	$71,794	12,957,920	$1,001,346	906,720	$3,890,037
1912						
January	57,814	7,253	.....	.....	94,456	380,186
February	110,352	15,039	1,263,540	92,833	106,985	410,863
March	5,131	1,127	1,636,000	67,076	148,716	561,253
April	185,580	27,022	.....	.....	85,420	343,600
May	85,993	12,953	500,000	44,175	80,569	326,750
June	156,283	23,451	1,854,000	160,065	113,108	451,152
July	80,692	12,925	.....	.....	30,251	119,775
August	127,383	18,933	.....	.....	41,050	163,316
September	24,788	3,545	280	29	196,306	767,579
October	189,241	27,511	...	..	218,412	864,514
Total	1,023,257	$149,759	5,253,820	$364,178	1,115,273	$4,388,988

DEPARTMENT OF COMMERCE AND LABOR,
Bureau of Statistics.

WASHINGTON, D. C., November 4, 1912.

Imports of Tea and Silk into the United States for the ten months, ending October 31, 1910, 1911 and 1912.

TEA.

Imported from	1910. Pounds.	1910. Dollars.	1911. Pounds.	1911. Dollars.	1912 Pounds.	1912 Dollars.
United Kingdom	8,751,805	2,309,210	9,826,566	2,671,004	8,453,931	2,591,923
Canada	2,180,651	505,110	2,480,546	634,397	2,290,524	677,140
China	17,537,189	2,052,787	13,325,148	1,570,135	22,231,278	3,080,049
East Indies	7,759,989	1,269,236	9,474,973	1,580,264	11,094,061	1,829,201
Japan	40,785,718	7,304,410	43,661,219	7,755,318	37,726,269	6,832,940
Other countries	881,086	173,707	936,780	157,487	791,352	156,384
Total	77,896,438	$13,614,460	79,705,232	$14,368,605	82,587,415	$15,167,637

SILK.

RAW, OR AS REELED FROM THE COCOON. Imported from	Pounds.	Dollars.	Pounds.	Dollars.	Pounds.	Dollars.
France	301,410	908,270	195,882	672,661	72,902	260,190
Italy	2,376,350	8,760,598	1,685,659	6,480,976	2,072,564	7,566,731
China	3,624,318	8,804,992	4,246,791	10,331,233	4,053,344	9,968,388
Japan	10,178,153	33,206,204	10,755,323	36,718,414	13,152,424	42,398,134
Other countries	162,380	570,844	179,740	650,725	137,859	448,586
Total	16,642,611	$52,250,908	17,063,395	$54,854,009	19,489,093	$60,642,029

THE QUESTION OF PHILIPPINE INDEPENDENCE.

In his annual message to Congress President Taft made the following reference to the future of the Philippines:

A bill is pending in Congress which revolutionizes the carefully worked out scheme of government under which the Philippine Islands are now governed and which proposes to render them virtually autonomous at once and absolutely independent in eight years. Such a proposal can only be founded on the assumption that we have now discharged our trusteeship to the Filipino people and our responsibility for them to the world, and that they are now prepared for self-government as well as national sovereignty. A thorough and unbiased knowledge of the facts clearly shows that these assumptions are absolutely without justification. As to this, I believe that there is no substantial difference of opinion among any of those who have had the responsibility of facing Philippine problems in the administration of the islands, and I believe that no one to whom the future of this people is a responsible concern can countenance a policy fraught with the direst consequences to those on whose behalf it is ostensibly urged.

In the Philippine Islands we have embarked upon an experiment unprecedented in dealing with dependent peoples. We are developing their conditions exclusively for their own welfare. We found an archipelago containing 24 tribes and races, speaking a great variety of languages, and with a population over 80 per cent. of which could neither read nor write. Through the unifying forces of a common education, of commercial and economic development, and of gradual participation in local self-government we are endeavoring to evolve a homogeneous people fit to determine, when the time arrives, their own destiny. We are seeking to arouse a national spirit and not, as under the older colonial theory, to suppress such a spirit. The character of the work we have been doing is keenly recognized in the Orient, and our success thus far followed with not a little envy by those who, initiating the same policy, find themselves hampered by conditions grown up in earlier days and under different theories of administration. But our work is far from done. Our duty to the Filipinos is far from discharged. Over half a million Filipino students are now in the Philippine schools helping to mold the men of the future into a homogeneous people, but there still remain more than a million Filipino children of school age yet to be reached. Freed from American control the integrating forces of a common education and a common language will cease and the educational system now well started will slip back into inefficiency and disorder.

An enormous increase in the commercial development of the islands has been made since they were virtually granted full access to our markets three years ago, with every prospect of increasing development and diversified industries. Freed from American control such development is bound to decline. Every ob-

server speaks of the great progress in public works for the benefit of the Filipinos, of harbor improvements, of roads and railways, of irrigation and artesian wells, public buildings, and better means of communication. But large parts of the islands are still unreached, still even unexplored, roads and railways are needed in many parts, irrigation systems are still to be installed, and wells to be driven. Whole villages and towns are still without means of communication other than almost impassable roads and trails. Even the great progress in sanitation, which has successfully suppressed smallpox, the bubonic plague, and Asiatic cholera, has found the cause of and a cure for beriberi, has segregated the lepers, has helped to make Manila the most healthful city in the Orient, and to free life throughout the whole archipelago from its former dread diseases, is nevertheless incomplete in many essentials of permanence in sanitary policy. Even more remains to be accomplished. If freed from American control sanitary progress is bound to be arrested and all that has been achieved likely to be lost.

Concurrent with the economic, social and industrial development of the islands has been the development of the political capacity of the people. By their progressive participation in government the Filipinos are being steadily and hopefully trained for self-government. Under Spanish control they shared in no way in the government. Under American control they have shared largely and increasingly. Within the last dozen years they have gradually been given complete autonomy in the municipalities, the right to elect two-thirds of the provincial governing boards and the lower house of the insular legislature. They have four native members out of nine members of the commission, or upper house. The chief justice and two justices of the supreme court, about one-half of the higher judicial positions, and all of the justices of the peace are natives. In the classified civil service the proportion of Filipinos increased from 51 per cent. in 1904 to 67 per cent. in 1911. Thus to-day all the municipal employees, over 90 per cent. of the provincial employees, and 60 per cent. of the officials and employees of the central government are Filipinos. The ideal which has been kept in mind in our political guidance of the islands has been real popular self-government and not mere paper independence. I am happy to say that the Filipinos have done well enough in the places they have filled and in the discharge of the political power with which they have been intrusted to warrant the belief that they can be educated and trained to complete self-government. But the present satisfactory results are due to constant support and supervision at every step by Americans.

If the task we have undertaken is higher than that assumed by other nations, its accomplishment must demand even more patience. We must not forget that we found the Filipinos wholly untrained in government. Up to our advent all other experience sought to repress rather than encourage political power. It takes long time and much experience to ingrain political habits of steadiness and efficiency. Popular self-government ultimately must rest upon common habits of thought and upon a reasonably developed public opinion. No such foundations for self-government, let alone independence, are now present in the Philippine Islands. Disregarding even their racial heterogeneity and the lack of ability to think as a nation, it is sufficient to point out that under liberal franchise privileges only about 3 per cent. of the Filipinos vote and only 5 per cent. of the people are said to read the public press. To confer independence upon the Filipinos now is, therefore, to subject the great mass of their people to the dominance of an oligarchical and, probably, exploiting minority. Such a course will be as cruel to those people as it would be shameful to us.

Our true course is to pursue steadily and courageously the path we have thus far followed; to guide the Filipinos into self-sustaining pursuits; to continue the cultivation of sound political habits through education and political practice; to encourage the diversification of industries, and to realize the advantages of their industrial education by conservatively approved cooperative methods, at once checking the dangers of concentrated wealth and building up a sturdy, independent citizenship. We should do all this with a disinterested endeavor to secure for the Filipinos economic independence and to fit them for complete self-government, with the power to decide eventually, according to their own largest good, whether such self-government shall be accompanied by independence. A present declaration even of future independence would retard progress by the dissension and disorder it would arouse. On our part it would be a disingenuous attempt, under the guise of conferring a benefit on them, to relieve ourselves from the heavy and difficult burden which thus far we have been bravely and consistently sustaining. It would be a disguised policy of scuttle. It would make the helpless Filipino the football of oriental politics, under the protection of a guaranty of their independence, which we would be powerless to enforce.

REPORT OF THE SECRETARY OF WAR ON THE PHILIPPINE ISLANDS.

It is 14 years since the United States entered the Philippines. It is 10 years since the establishment of civil government there under the organic act of Congress of July 1, 1902. This has been a decade of notable achievement. There is no other instance in history where, after four years of war and insurrection, to over 7,000,000 of an entirely alien race have been so soon given not merely the forms of civil control, but immediate and extensive participation in their own government. Similarly, there is no parallel to the material, mental, and moral progress shown in these 10 years of civil government by so many millions of people, held for centuries in ignorance and, in effect, in political and economic bondage. More has been done in this decade to maintain order, to develop

industry and extend commerce, to increase wages and raise the standard of living, to advance education and to provide a common language, to relieve distress and eradicate disease, to train the different peoples of the Philippine Islands in the art of self-government, than was accomplished in the four preceding centuries of their history.

In sanitation, for example, the work done, when the relative difficulties are considered, is as monumental as that which has been accomplished at Panama. Outside of the few cities, there was practically nothing known in the Philippines of hospitals or physicians. In addition to the ordinary impediments to sanitary progress, due to war and devastation, there was to be overcome the conservatism of backward peoples opposing in their ignorance and superstition every effort toward modern sanitation. And, in addition, there were specific diseases prevalent, and successive epidemics of the most virulent nature had to be combatted.

Smallpox has been eradicated; bubonic plague and Asiatic cholera have been suppressed; a remedy has been found for beriberi, and that oriental scourge of the native population has been already completely suppressed among our native troops, and is now in the course of suppression among the native population at large. The lepers that formerly roamed almost at will have been segregated without adding complete isolation and inhuman treatment to the terrors of the disease. And the cost of all this, and of the much more that has been similarly done, has been borne by the Filipino people themselves.

Again, in the last decade opportunities for education have been extended over the entire Philippine Archipelago. Where before the advent of the Americans there were only 700 public schools, there are now nearly 5,000, with an enrollment of nearly 700,000 Filipino students. Where there was then no attempt at vocational training, there is now an enrollment of over 400,000 pupils in industrial courses, while better opportunities are afforded in this respect by the public schools of the Philippine Islands than by the public schools of any State in the Union. In the spread of English, we are actually giving to the Filipino peoples for the first time a common language. Besides Spanish, there were 24 distinct languages or dialects spoken in the islands, while the variation in the dialects were almost innumerable. To-day more Filipinos speak and write some English than speak and write at all in any other language. Whatever the future state of the Philippines politically, the establishment of a common language must do more for the advancement of their people toward nationality than any other one thing, and the establishment of English as this common tongue must do more for them than any other language that it would be possible to establish, since this is the most common international language of social and commercial intercourse in the Orient among people outside of the Philippine Archipelago.

The material progress of the last 10 years has been equally notable. Every native industry has been encouraged, and new industries have been introduced. The external commerce of the islands has been more than doubled; the demand for labor has been greatly enlarged; the wages of labor increased; and labor itself has been given a hitherto unknown dignity. The acquirement of land for cultivation has been made easy, and the protection of land titles has been assured by the introduction of the Torrens system. In the construction of public works there has been exceptional progress. Manila Harbor is now one of the best in the Orient. The city of Manila is now one of the best watered, sewered, and lighted of oriental cities. It is rapidly becoming one of the most beautiful. The hundred miles of railway in the Philippines 10 years ago has been extended to 700, and the extension is still in progress. Over 1,000 miles of permanent macadamized roads have been constructed, and new construction is going on. There is telegraph communication between all important points. Direct cable connection with the United States has brought Manila into the modern commercial and political world. Moreover, progress in public works is being pushed in nearly all the Provinces and in most of the municipalities. These works include not merely roads and improved ways of communication and transportation, but schoolhouses, municipal markets, artesian wells, irrigation plants, and other works upon which depends the moral and mental, no less than the material, advancement of the masses of the Filipino peoples.

In no way has the progress of the Filipino people been better shown than by their increasing participation in their own Government. Under Spanish control the native Filipinos were practically excluded from all share in public affairs. Within 10 years they have been given, and now exercise, the right of electing all of their municipal officers. Native Filipinos also now compose 90 per cent. of the officials and employees of the provincial governments, and nearly 60 per cent. of the officials and employees of the central government. They have been given their own assembly—the lower house of the Philippine Legislature—which is composed wholly of native members, chosen at popular election. They have representation on the Philippine Commission, which forms the upper house. They divide with Americans the direction of the various executive departments. The chief justice and two of the associate justices of the supreme court, about half of the judges of the higher courts, and all of the justices of the peace are Filipinos. There is no branch of the Government, executive, legislative, or judicial, where Filipinos are not represented in increasing numbers, and where their influence is not important.

All this has made for the betterment of the condition and the hopefulness of the outlook of the individual Filipino. Yet with all the progress of the decade, our work in the Philippines has but just commenced. Along no line, moral, mental, or material, can it be counted as completed. With all the remarkable achievements in sanitation, half of the children born in Manila still die in infancy, and the masses of the people in the Provinces have still but faint conception of the meaning of sanitary

principles and are still, by force of habit, opposed to their introduction. With all the remarkable advance in education, there are still over a million Filipino children of school age unreached. With all that has been done in constructing public works, there are still vast regions of the islands cut off from means of communication and transportation and from facilities for moral and mental betterment. In spite of the higher wages and greater freedom now granted to labor, the old system of peonage, ingrained through centuries, is still accepted as their economic lot by the Philippine masses, and would make them only too ready victims for the rich and educated Philippine minority, who still regard the status of peonage as the natural lot of the ignorant masses. And, finally, the success of the constantly increasing native participation in the native government has been accomplished only because every step has been carefully checked and watched by Americans, and probably nothing is more certain than that, without these checks, such progress would have been impossible. Not only this, but the suspension of these checks now would, with almost equal certainty, forbid the eventual establishment of anything like popular self-government in the islands, and would subject the great mass of people there to the dominance of an oligarchy, and probably an exploiting oligarchy. A complete release from American direction would not merely retard progress along every line noted here, but would inevitably mark the beginning of a period of rapid retrogression. There are few competent students of recent Philippine affairs who do not believe that if American control were now removed from the island practically all signs of American accomplishment in the Philippines during the last decade would disappear in the next generation. Until our work in the archipelago is completed, until the Filipinos are prepared not only to preserve but to continue it, abandonment of the Philippines, under whatever guise, would be an abandonment of our responsibility to the Filipino people and of the moral obligations which we have voluntarily assumed before the world.

It has been said that the United States has never declared a policy governing its control of the Philippines. This is absolutely untrue. The policy of the United States was definitely and maturely declared in the instructions of President McKinley to the Philippine Commission of April 7, 1900, and it has never been departed from since. It is written in every step of the consistent progress of our insular government. President McKinley's statement was expressly and affirmatively confirmed by the Congress of the United States in the organic act for the Philippine Government of July 1, 1902. Briefly, this policy may be expressed as having for its sole object the preparation of the Filipino peoples for popular self-government in their own interest and not in the interest of the United States. In the words of Mr. McKinley:

"In all the forms of government and administrative provisions which they are authorized to prescribe the commission should bear in mind that the government which they are establishing is designed not for our satisfaction, or for the expression of our theoretical views, but for the happiness, peace, and prosperity of the people of the Philippine Islands." * * *

The postponement of the question of independence for the islands has been deliberately made, not for promoting our interest, but solely in order to enable that momentous question to be determined intelligently by the Philippine people in the light of their own highest interest. As it was expressed in the message to Congress of January 27, 1908, by President Roosevelt:

"They (the Filipinos) have yet a long way to travel before they will be fit for complete self-government, and for deciding, as it will then be their duty to do, whether this self-government will be accompanied by complete independence."

This, then, may be confidently asserted to be the national policy of the United States toward the Philippine Islands. It is definite and clear and needs no explanation. So far it has been scrupulously followed, with high promise of its fullest realization. It should continue to be the national policy so long as there remains a vestige of American control over the islands and, in my judgment, American control over the islands should continue unabated until this policy is carried to completion. Until that time all proposals for independence are pleas for national recreancy on our part and for the repudiation of the heavy and difficult burden which thus far we have been bravely and consistently sustaining. Even more is it unjust to the great masses of Filipino people in whose behalf the high-sounding slogans of "liberty" and "independence" are shouted. After having been for centuries sunk in ignorance and held in economic subjection, they are now being aroused to self-supporting manhood and being welded into national solidarity. Along this line, and this line alone, lies the true course toward liberty and independence.

A general condition of peace and order has prevailed in the Philippine archipelago throughout the year. This was accompanied by satisfactory progress along nearly all economic lines. The total volume of foreign trade for the Philippines for the year reached a total of $104,869,816, an increase over the preceding year of more than $15,000,000. The total exports were $50,319,836, and the total imports $54,549,980. Of the imports only about 40 per cent. were from the United States. Nevertheless the purchases from this country were more than 50 times the average annual purchases prior to the establishment of free trade with the islands in 1909.

Severe drought reduced the production of native rice, and required somewhat heavier importations than usual of this staple; while hemp, which has heretofore held the first place in exports, fell to second place in value. With these exceptions the industrial and commercial progress during the year was notable. Nor are these exceptions without reason. Rice is the principal article of value in the Philippines. For this reason every effort is made by the insular government to promote its local production in quantities sufficient to supply the demands of the native market. This object has, however, not yet been attained, and even had the normal increase of the product

been continued during the past year it would not have been yet reached. The chief reason seems to be that under the new industrial development of the islands, the increased demand for labor in all fields and the higher wages prevailing have made rice production less attractive by comparison. In a different degree the same thing is true of hemp. Its price has declined, both on account of the new labor conditions, and also owing to the competition of inferior fibers, which have been found by the trade sufficient in quality for the lower grades of twine and rope for which hemp was once almost exclusively used.

Although the quantity of hemp exported from the Philippines during the last fiscal year was less than during the previous year, this product fell to second place not so much because of this, as because of the remarkable increase in the exportation of copra. This latter product attained first place in value, advancing from less than $10,000,000 in 1911 to $16,514,749 in 1912. The value of the hemp exports for the same year is $16,283,570. Sugar exports reached in value $10,400,575, the highest in any year of Philippine history, but still more than 100,000 tons less than the limit fixed for export to the United States by the present law. There was also a satisfactory increase in the exportation of tobacco over the preceding year, but as with sugar, the legal limit of exports to the United States was far from being reached.

The total ordinary revenues of the insular government for the last fiscal year amounted to $13,925,322.87. To this was added, in accordance with an act of the insular legislature, the surplus of the gold-standard fund, $1,698,513.82. Of the total public revenues the insular government expended during the year on public works, aside from the amounts expended by the provinces and municipalities for the same purpose, $3,338,963.85. The insular government is devoting much of its energy to work of this character, particularly to the building of roads and bridges in the Provinces and to the construction of schoolhouses in the municipalities. The means of communication are no less important to the progress of the Filipinos than means of education. Artesian wells and municipal market places are essential to health and to the development of a higher standard of living. Irrigation projects are necessary to their agricultural and industrial development. The establishment of land titles, now in process before the court of land registration, is too important to need comment; but before it can be carried to proper completion a cadastral survey of the islands will be required. There are also other varieties of public works necessary to the moral and material advancement of the Philippines, but these are all the works in which the future is even more interested than the present, and it is not only impossible to provide for any important part of them out of current insular revenues but undesirable, since this is a charge that should not be made wholly against the present generation.

Even such of these public improvements which, on their face, seem to concern only the municipalities or provinces have really an indirect but important interest for the insular government through the influence exercised generally over the sanitary and living conditions of the Filipino people as a whole. It has thus been the policy of the government to encourage the municipalities and the provinces in the construction of many public works, and it has in this way been able to encourage the development, for example, of market places, through the loan of the necessary funds to the municipalities concerned; to encourage the construction of roads and the erection of schoolhouses in the provinces and municipalities by sharing in the cost. Such plan has met with success and has stimulated improvements in municipalities and provinces which would not otherwise have been made.

The bonded indebtedness of the Philippine Government for public works is limited by the act of Congress of February 6, 1905, to $5,000,000, a limit reached long since, and the extension of this limit is well warranted by the financial condition of the insular government and is urgently demanded by the work remaining to be done. In my last report I recommended an increase of this limit to $15,000,000, which I believe to be both reasonable and safe, and during the past session of Congress a bill was passed by the Senate authorizing such an increase. This bill is now awaiting the action of the House, and it is much to be desired that it become a law during the present session.

The high character of the work performed by Americans connected with the Philippine Government and the plain necessity for the connection of Americans with this government for long time to come justifies repetition of my previous recommendation for the inauguration of a retirement system to cover certain classes of the higher officials after 10 years of continuous service. The continued success of the Philippine Government demands high qualities in those directly responsible for its conduct, while the sacrifices required of them will make it more and more difficult in the future to secure officials of the high character desired unless some reasonable guaranty of a livelihood is afforded.

Summarizing the needs of the Philippines requiring congressional action, I recommend:

1. The early passage by the House of Representatives of the bill authorizing an increase of the limit of the bonded indebtedness for public works by the Philippine Government to $15,000,000.

2. That, limiting the operations of the act to those whom it is necessary to continue in the service of the Philippine Government for long periods, provision be made for a just retirement system.

3. That Congress take up and affirmatively settle the question of the disposition of public and friar lands in the Philippines by increasing the limitations now set upon the amount of public lands which can be sold to an individual to an amount which will better permit him to develop and farm it at a profit.

INDEPENDENT GOVERNMENT FOR THE PHILIPPINES.

Mr. Jones, from the Committee on Insular Affairs, submitted the following

REPORT.

The Committee on Insular Affairs, to whom was referred the bill (H. R. 22143 entitled "A bill to establish a qualified independent government for the Philippines and to fix the date when such qualified independence shall become absolute and complete, and for other purposes," beg leave to report that they have had the same under consideration and recommend that the said bill do pass with the following amendments, to wit:

Insert the words "and maintained" after the word "established," in line 17 on page 2 of the bill.

Strike out the word "such" after the word "around," in line 10 on page 4 of the bill, and insert in lieu thereof the words "any and all."

Strike out the period after the word "Philippines," in line 13 on page 4 of the bill, and insert in lieu thereof a comma and add the words "and shall further guarantee that all property rights by whomsoever legally acquired shall be held inviolate."

Strike out the word "nineteen" after the word "April," in line 19 on page 4 of the bill, and insert in lieu thereof the word "eighteen."

Strike out the words "thirty-nine" after the words "composed of" in line 19, on page 5 of the bill, and insert in lieu thereof the words "thirty-eight."

Insert the word "and" after the word "Mindoro" in line 3, on page 6 of the bill.

Strike out all of the paragraph after the word "law" in line 5. on page 12 of the bill, and insert in lieu thereof the words:

"*Provided, however,* That from and after the fourth day of July, nineteen hundred and thirteen, for a period of eight years, all public acts of the government of the Philippines shall be transmitted, as soon as practicable after their enactment, to the President of the United States, who shall have the absolute veto power over the same, such veto power to be exercised, if at all, within thirty days after the reception by him of such act. If he approve or fail to veto such act, the same shall be transmitted to the Congress of the United States. The Congress of the United States during said eight years' period may annul any bill passed by the Congress of the Philippines at any time after it may have gone into effect."

Strike out after the word "was" in line 10, on page 13 of the bill, the remainder of the paragraph, and insert in lieu thereof the word "sent."

Strike out the words "temporary or propationary" after the word "the" in line 8, on page 26, and the words "for the ensuing eight years" after the word "established" in line 9, on page 26, of the bill.

Before proceeding to outline the purposes, or to discuss the various features and different provisions of this bill, it may be well to indicate briefly, and in general terms, the character of the instruments of government employed in the administration of the affairs of the people of the Philippine Islands during the 13 years that have elapsed since the ratifications of the treaty of peace between the Kingdom of Spain and the United States were exchanged at the city of Washington. This exchange, which took place on the 11th day of April, 1899, constituted the consummating act in the negotiations which resulted in the reestablishment of peace between these two nations, and the transfer of sovereignty over the Philippine Islands from Spain to the United States. From this time on and up to the 1st day of September, 1900, the commander of the American Army of occupation in the Philippine Islands, acting as military governor, exercised complete and undivided authority, legislative as well as executive, throughout the Philippine archipelago. In other words, it may be said that during this period the government of the Philippine Islands was essentially a military autocracy.

In an official communication, bearing date the 7th day of April, 1900, the President of the United States informed the Secretary of War of the appointment by him of a commission to the Philippine Islands, composed of five eminent Americans, namely, the Hon. William H. Taft, Prof. Dean C. Worcester, Hon. Luke I. Wright, Hon. Henry C. Ide, and Prof. Bernard Moses, of which Mr. Taft was to be the president. This Executive order set forth with some particularity the powers and duties conferred upon this commission, and transfered, on and after the 1st day of September, 1900, from the military governor to this new governing body, of at least doubtful constitutionality, "that part of the government in the Philippine Islands which is of a legislative nature."

By a subsequent Executive order, bearing date June 21, 1901, the Hon. William H. Taft, the president of the Philippine Commission, was appointed civil governor of the islands and empowered to exercise all executive authority on and after the 4th day of July, 1901. From and after that date the military governor was relieved from the performance of civil duties, except as to those districts in which insurrection against the Government of the United States continued to exist or in which public order was not completely established. Thenceforth and up to the enactment by Congress of the act of July 1, 1902, the Taft Commission, in the meantime increased to eight members by the addition of three Filipinos, exercised all legislative authority in the Philippine Islands, whilst the executive functions of the so-called civil government thus set up by the President, acting in the capacity of Commander in Chief of the Army and Navy, were divided between a military commander and a civil governor.

Thus it appears that during the period which elapsed between the time of Spanish exacuation and the enactment by Congress of the act of July 1, 1902, a period of something more than three years, there existed in

the Philippine Islands no less than three distinct forms of government differing materially the one from the other. The act of July 1, 1902, although in express terms declared to be merely a temporary measure of civil administration, has, with slight and unimportant amendments, remained the organic law of the Philippines for practically a decade. The bill which your committee has had under consideration not only provides in the near future, and for a definite probationary period of eight years, for a larger participation of the Philippine people in the affairs of their government than they now enjoy; but it will, if enacted into law, confer upon them at the end of that period the absolute control of their affairs, both domestic and foreign, together with their complete and unqualified independence.

THE FILIPINOS DESIRE INDEPENDENCE.

When the existing law was being considered by the Committee on Insular Affairs 10 years ago some of its advocates testified that a majority of the educated and substantial people of the Philippine Islands, whose opinions the Federal Party was said to represent, favored the permanent annexation of the islands to the United States. A prominent Filipino who at one time occupied the position of secretary of state under the Malolos government, of which Gen. Emilio Aguinaldo was the president, but who subsequently, and at that very time, was an officeholder under the Taft Commission, claiming to be the authorized spokesman of the Federal Party, testified at the committee hearings that a majority of all the Filipino people favored American annexation rather than independent self-government.

Whatever influence this testimony may have had in shaping the Philippine legislation of 10 years ago, it should certainly have none in this day and generation, for the Federal Party itself, the only political organization in the Philippine Islands ever favoring permanent annexation, has long since ceased to exist, and its successor, the Progresista Party, is quite as outspoken in its advocacy of independence as is the Nacionalista, which has always stood for an independent self-government. There is, therefore, to-day practically, if not absolutely, no division of sentiment among the civilized, Christian inhabitants of the Philippine Archipelago in respect to this question, whatever may have been the case a decade ago. The highest aspiration, the one great, overmastering desire of the Philippine people is to see their country free and independent. The blood shed and the untold privations for years endured for freedom's sake by this, the only Christian people in the vast Orient, abundantly testified in the past to their longing for independence. The unparalleled and phenomenal spread of education throughout the archipelago in recent years, a large participation in public affairs, a wider and more intimate knowledge of the problems of government, and the valuable experience gained through actual practice in popular legislative assembly have not only contributed immensely toward preparing the Filipinos for the exercise of self-government, but have at the same time quickened and intensified their desire to become a free and independent people.

NO AMERICAN SENTIMENT FAVORABLE TO PERMANENT RETENTION.

It is doubtful if there is to-day any considerable or even appreciable public sentiment in the United States favorable to the permanent retention of the Philippines. When these islands were first acquired, and for a few years thereafter, there was a more or less prevalent belief that their permanent retention would prove of great commercial advantage to the United States. It is true that during the past two years, those in which Philippine products have had free access to the markets of the United States, the value of the trade between the two countries was materially increased, and yet if every dollar in value of the merchandise imported into the Philippine Islands from the United States during the fiscal year 1911 had been clear profit to the American manufacturer, the sum total would not have equaled the cost to the people of the United States of the maintenance for a single year of our military establishment in the Philippines.

The total value of the importations, exclusive of those for the use of the Army, Navy, and the Government of the Philippine Islands, and for government-aided railroads, all of which were free of duty, was $15,052,808, while the value of the Philippine products exported to the United States during the fiscal year was $16,813,864. Thus it is apparent that the combined values of the exports and imports for the year 1911 do not equal in amount the total annual cost of the Philippine Islands to the American people. So the commercial argument which at one time was vigorously advanced in favor of the permanent retention of the Philippine Islands has now been practically abandoned.

CAPACITY FOR SELF-GOVERNMENT.

Those who oppose fixing a definite time at which the Philippine Islands shall acquire their independence, although professing to favor their ultimate independence, base their opposition upon the assumption that the Filipinos are not as yet capable of governing themselves. They do not hazard even a guess as to when that time may be expected to arrive; in the judgment of most of them it may be a generation, possibly two or three generations. The menace to the peace and happiness of the American people which lies in the indefinite retention of the Philippine Islands is not to be compared, in their judgment, to the harm which they fear may result to the Filipinos if they are prematurely given the independence which they crave, and to which, it is admitted, they will some day be entitled. The grievous financial burdens which their long-continued retention as a colonial dependency will entail upon the American taxpayers is as nothing, they contend, compared to the moral obligations which the United

States have assumed. Thus the "moral" or "altruistic" argument, based upon the alleged incapacity of the Filipinos for self-government, is the only argument now heard in favor of the indefinite retention of the Philippines.

But, is it true, according to any just and fair standard, that the Philippine people are not capable of self-government? For, if not true, then the only argument seriously advanced by those who would deny them independence must fall to the ground. The facts, or alleged facts, relied upon to establish their incapacity for self-government are (*a*) that the Philippine population is made up of many different tribes, inhabiting different islands, or different parts of the same islands, and speaking different dialects or languages; (*b*) that because of this isolation and difference of language they possess no common means of intercommunication; (*c*) that a number of these tribes are uncivilized and unchristianized and will always remain so, and that the Moros, the most savage and adventurous, as well as the most numerous, of the wild tribes, can never be brought to live peaceably under any government which may be established by Christian Filipinos; and, lastly (*d*), that the percentage of illiteracy, even among the Christian inhabitants, is too great to permit of any intelligent administration of government. In fine, it is contended that, wanting in education and civilization and lacking a common religion and a common language, it follows that the Philippine people have not that community of thought, of feeling, and of interest, that national unity and spirit, or that intelligence and educational capacity, essential to the successful establishment and permanent maintenance of a free, autonomous, and stable government.

According to the census of 1903, the population of the Philippine Islands was 7,635,426. Of these, 6,987,686 are classified as civilized. Only 647,740 are described as wild or uncivilized. Of the so-called uncivilized tribes, 277,547 are Moros, who inhabit the southeastern and western portions of the island of Mindanao, which is the southern-most and next to the largest of all the islands, and the islands of the Sulu group; 211,520 are Igorots dwelling in northern Luzon; 56,189 are Bukidnon, of the Province of Agusan, in eastern Mindanao and the remainder are scattered in small groups throughout the islands. These official figures indisputably prove that the vast majority of the Philippine people are civilized, and many of the most beautiful cathedrals to be found anywhere in the world, as well as other substantial and costly church edifices scattered throughout the civilized portions of the islands, attest most strongly to the deep religious character of the Filipinos.

But even were it admitted that the Moros are intractable and incapable of civilization, the census figures show that they constitute less than 4 per cent.—or, to be exact, just 3.7 per cent.—of the whole population of the islands. Indeed, these figures show that they are actually outnumbered by the civilized Filipinos of Mindanao, notwithstanding that 226,158 of the 277,547 Moros (2,323 of whom are themselves civilized) dwell in that island. It is a fact not generally appreciated, if known, that 296,845 Christian Filipinos also inhabit the island of Mindanao. In Zamboanga, in the Moro Province, one of the most delightful of the cities of the Philippine Archipelago and the fourth in commercial importance, there were 44,322 inhabitants in the year 1903, almost equally divided between Christians and non-Christians. These facts conclusively prove that the Moros may well be regarded as a negligible quantity in considering the question of the capacity of the Philippine people for self-government. But the work of education and civilization is progressing even among the Moros, with far better results than any of the historians and writers upon this subject of a decade ago believed to be possible.

The remainder of the wild tribes are so widely distributed throughout the archipelago, and have in the past given so little trouble to their civilized neighbors, that their government has never been looked upon as a serious problem—they must continue in a large degree the wards of the nation whatever may be the form of government under which they live. Is it then unreasonable, in view of the foregoing facts, to indulge the hope that these wild people, all of whom are of Malayan origin, would more readily submit to the restraints of a government participated in by them, and established for their protection by members of their own race, than to those imposed by an alien people? Do the facts hereinbefore set forth justify the belief that the government of the wild men of the Philippine Islands will ever become to the Filipinos, if given their independence, so difficult a problem as has been that of the American Indians to the Government of the United States?

It is true, of course, that the Philippine Archipelago is composed of many islands, and that there is no native language which is universally spoken. A large majority of the whole people, however, speak either Tagalog, Visayan, or Ilocano, which are the three principal languages of the islands. Nearly half of the Christian population or 3,219,030, are Visayans, and there are 1,460,695 Tagalogs in the island of Luzon, to say nothing of the members of other tribes who to the number of 2,000,000 speak Tagalog. For 300 years the official language of the Philippine has been Spanish, and whilst the percentage of the rural population speaking it was never very large, it was, nevertheless, spoken throughout the archipelago by the educated and office-holding classes and is quite universally spoken in Manila and other cities and large towns.

There has been a noticeable disposition in some quarters to create the impression that the Filipinos are an ignorant and illiterate people. This was very far from the truth, even prior to American advent. To demonstrate this it is only necessary to advert to a few salient facts bearing upon the subject of education during the long years of Spanish control. The Univer-

sity of St. Joseph was founded by the Jesuits in Manila very nearly 325 years ago, and 17 years before the doors of the first American college were opened the Dominican Order of the Catholic Church in the Philippine Islands established, also in Manila, the University of St. Thomas, which for more than three centuries has been in successful operation. And yet the Tagalogs had attained a well-defined civilization long before the advent of either the Dutch or the Spanish. Prior to the year 1863 there were parochial schools throughout the islands, but it was not until that year that primary schools were established, under the royal decree of December 20, in every municipality of the archipelago. In addition to the many private and church schools which had long been in existence prior to 1866 Spanish school statistics for that year show that there had then been established 1,674 Government-supported schools, attended by 230,358 Filipino boys and girls. There were that year 1,681 matriculates at the University of St. Thomas engaged in the study of the higher branches of learning. There were also located in Manila prior to the revolution against Spain five colleges devoted to the education of women, among them the College of Santa Isabel; a college of agriculture; a nautical school; a superior school of painting, sculpture, and engraving; a military academy; and a number of other colleges of more or less importance, where the higher branches were taught. There were, too, as many as 9 other colleges and 67 high-grade Latin schools located in various sections of the islands. A people enjoying such superior educational advantages as these can scarcely be characterized as ignorant and illiterate. Especially can it not be said of the Tagalogs, who for ages have possessed a rich literature of their own. Even in the outlying Christian settlements of northern Luzon a majority of the population could read and write their own language long before the power of Spain over the islands was broken.

It will scarcely be denied that since American occupation immense progress has been made in the direction of education. Not only have thousands of public schools been established all over the archipelago, but the standard of most of the old ones have been raised. In all of the new, and in many of the old, English is employed and taught, and the natives are evincing a praiseworthy desire to become proficient in it. Many night schools have been established for the benefit of the laboring classes, and they, as well as the higher schools, are all well attended. For nearly 10 years the average public-school enrollment has not been less than 500,000. The report of the secretary of education for the year ending June 30, 1911, shows that the enrollment for that school year reached the high-water mark of 610,493, not including 5,302 pupils enrolled in the schools of the Moro Province. The total number of public schools in operation last year, according to this report, was 4,404, and the total number of teachers employed at the end of the school year was 9,086, of whom 8,403, or over 92 per cent., were Filipinos. It is shown, too, that there was a general improvement on the part of the Filipino teachers during the year, both in scholastic attainments and in ability to teach. A splendidly equipped normal school was established in 1901 and reorganized in 1909.

This institution is annually training hundreds of young men and women to teach under the conditions which exist in all Provinces of the islands, civilized or uncivilized. The first Philippine Legislature provided for the establishment of the University of the Philippines, which was organized something over two years ago. It provides advanced instruction in literature, philosophy, and the sciences and arts, and affords professional and technical training for students who have passed through other colleges. The total registration of students at this institution of higher learning in August of last year was 1,220. All the lectures, of course, are in English and many of the learned professors are Filipinos. The late James A. LeRoy, who, for two years was connected with the Philippine Commission, and who, therefore, possessed exceptional opportunities for securing information upon the subject, says in his admirable book on the Philippines, published in 1905, that "approximately one-half the Christian population over 10 years of age is literate," and that this included "the people of the most backward and outlying Christian settlements in the mountains of north central Luzon, in unsettled islands like Mindoro and Palawan, and on the outskirts of Mindanao." In the Tagalog Provinces, where the percentage of literacy is highest, it is stated by this author that the number able to read "is something over 70 per cent. of the population above 10 years of age." This was seven years ago, and before the American system of education was fairly underway; before there were thousands of trained Filipino teachers conducting the schools in the English language. So much for the literacy of the Filipinos.

The Hon. Newton W. Gilbert, secretary of public instruction in the Philippine Islands, at one time a Member of the House of Representatives and of this committee, makes the striking statement in his annual report for the year 1910 that "more persons in the Philippine Islands speak and write the English language than speak and write any other language or dialect. If this were true in 1910, how much larger will be the proportion of those who speak and write English in 1921? But there is more recent and much stronger testimony than this in refutation of the oft-repeated assertion that the Filipinos possess no common language and therefore are lacking in the means of communication among themselves. In a carefully prepared article in the American Year Book for 1911 it is stated that more Filipinos speak the English language than speak any other one language or dialect. This is to say, that more than one-half of the Christian inhabitants, who constitute more than nine-tenths of the total population of the Philippine Islands, have acquired the ability to speak the English language in

the short space of 10 years. If this great progress has been made by the Filipinos within the last decade in the acquisition of the English language, what may not be expected of this wonderful people within the next 10 years? English-taught schools are rapidly multiplying all over the islands, and progression along all lines of education will be much more rapid in the coming than it was in the last decade. In view of the past advancement of the Philippine people in this direction, is it unreasonable to believe that when the 4th day of July, 1921, arrives English will be the common language of the Philippine Islands, and that it will afford the Philippine people that medium of communication deemed so essential to their fitness for independent existence and self-government?

Among other arguments advanced against granting the Filipinos independence is their alleged lack of homogeneity. The truth is they are more homogeneous than the people of the United States. The Director of the Philippine Census, Gen. J. P. Sanger, United States Army, says in his chapter on Population:

"As compared with the schedules of the Twelfth Census of the United States, those of the Philippine Census are somewhat simpler, the difference being due mainly to the more homogeneous character of the population of the Philippine Islands."

FILIPINO EXPERIENCE IN GOVERNMENT.

The Filipinos are not so lacking in administrative ability and in actual experience in government as has been frequently represented. There were Philippine deputies in the Spanish Cortes during portions of the first half of the nineteenth century, and in the year 1820 seventeen Filipinos sat in the Spanish Parliament. The Philippine constitution, written by Apolinario Mabini, and proclaimed by the Malolos Government in 1899, is justly regarded as a notable intellectual achievement. Among those who represented the Philippine Republic, established by Gen. Aguinaldo in 1908, in the Malolos Congress were many Filipinos of learning, great ability, and unquestioned patriotism. A number of these have held, and others are still holding, positions of trust and responsibility under the present Government. Two of its members have since been commissioned to represent the Philippine Islands in the capacity of Resident Commissioners to the United States, and one of them is to-day occupying a seat on the floor of the House of Representatives.

Dr. Schurman, the distinguished president of Cornell University, who was a member of the first Philippine Commission, and therefore qualified to speak upon the subject, wrote of the Filipinos 10 years ago:

"But whatever be done with them (the Mohammedans) the civilized and Christianized democracy of Luzon and the Visayans desire independence. They are fairly entitled to it, and united as they now are, I think they might very soon be intrusted with it. In their educated men, as thorough gentlemen as one meets in Europe or America, this democracy of 6,500,000 Christians has its foreordained leaders."

That there are many highly educated and thoroughly cultured Filipinos has not been, and will not be, seriously questioned. There are many who, having received their educations at the best schools and universities of Europe, have returned to the Philippines, and are prominent in the professional and educational life of the islands. Some of these have achieved much distinction. Of the seven members of the Supreme Court of the Philippine Islands, three are Filipinos, the Hon. Cayeteno Arellano being the chief justice. The attorney general is the Hon. Ignacio Villamor, a Filipino. Of the Philippine Commission, five of its members are Americans and four Filipinos. There are four executive departments of the insular Government, one of which, finance and justice, is presided over by Secretary, Gregario Arenata. The director of labor, the Hon. Manual Tino, is a Filipino. The codification committee is composed of three Americans and three Filipino lawyers, the chairman of which is the Hon. Manuel Araullo.

Of the 29 judges of the courts of first instance 14 are Filipinos, and practically all of the judges of the lower courts are Filipinos. The provincial boards of the Provinces are composed of a governor, a treasurer and a "third member." The governors and "third members" of the organized Provinces, with the single exception of Batanes, where the governor is appointive, are all elected by the people, and are, in every instance, Filipinos. Eleven of the treasurers are Filipinos. The fiscals, or prosecuting attorneys, although appointive, are in the main, if not invariably, Filipinos. On June 30, 1911, over 70 per cent. of all the provincial officials in the Philippine Islands were Filipinos, and out of the more than 12,500 municipal and township officers, to quote from the last annual report of the executive secretary, "there are really but three American municipal officers in the self-governing municipalities and two of these were elected by popular vote."

No reference to Filipinos whose public services entitle them to a place in the history of their country, past or present, would be complete which omitted the name of the patriot, Rizal, whose glorious martyrdom stirred the hearts of Christendom and precipitated a revolution against Spain. Dr. José Rizal, by reason of his brilliant attainments and his sublime devotion to the cause of his suffering countrymen, was easily the foremost product of the Philippine people. The anniversary of the execution of this young martyr, December 30, 1896, has been made a national holiday, and throughout the Philippines his memory is universally revered.

THE RETENTION OF THE PHILIPPINES REPUGNANT TO REPUBLICAN IDEALS AND DISASTROUS TO AMERICAN INTERESTS.

In considering the question of Philippine independence, as proposed in this bill, and in reaching the conclusions to which we have come, your committee have not by any means regarded it solely from the standpoint of the people of the Philippine Islands. On the

contrary, our views are largely, if not mainly, controlled by what are believed to be the true interests of the people of the United States. The free principles upon which the American Government is founded are wholly incompatible with the idea of holding and governing against their consent any people who aspire to independence and are capable of governing themselves. Moreover, the policy of the United States has always been against expansion beyond the seas. Such expansion as has marked the marvelous growth and progress of the United States has until very recently been over land and confined to this continent. It has embraced contiguous territory inhabited by a homogeneous people, and never land in another hemisphere, separated from us by thousands of miles of water and inhabited by an alien people differing from us in manners, customs, civilization, and race. The incidents which led up to the War with Spain had not the remotest connection with the Philippines. It was not a war of conquest. It was a war waged to free from intolerable oppression a people almost within sight of our shores and not to bring under the dominion of the United States a people struggling for their liberties and residing upon the opposite side of the globe. The Spanish-American War was fought to free Cuba and not to enslave the Philippines; to erect a republic in the Occident, not to establish a subject colony in the Orient. From the very beginning the Filipinos never welcomed American sovereignty. They accepted it only when unable longer to resist the superior strength of the United States. The late President McKinley declared in a speech delivered in the city of Chicago that "the War with Spain was undertaken, not that the United States should increase its territory, but that oppression at our very doors should be stopped." He added, "This noble sentiment must continue to animate us and we must give to the world the full demonstration of the sincerity of our purpose." To carry "this noble sentiment" into effect is the object of this bill, and, in the opinion of this committee, it is so framed as to accomplish the purpose with honor to the American people and with just and proper regard for the future welfare and the best interests of the Filipinos.

Secondary only in importance to the high moral questions of principle and right involved in the indefinite retention of the Philippine Islands is that of their constant menace to the peace and well-being of the American people. Instead of constituting a source of strength to the United States in the event of war with a first-class naval power, they would, by reason of their geographical position, become one of great weakness. Had not the Spanish army and navy been so fully occupied with the war in Cuba the story of Dewey's engagement in Manila Bay might have been one of far different import. To fortify and defend all the principal ports of the Philippine Islands would require more money, ships, armies, munitions of war, and supplies than even a country possessing the enormous resources of the United States could command, and if, therefore, the purpose in holding the Philippines is merely to maintain in the Orient a base for military and naval operations, then that purpose can much more readily, and more effectively, be accomplished by retaining only the naval bases, harborage waters, and coaling stations provided for in the measure under consideration.

As to whether or not the United States could successfully defend the Philippine Islands against a first-class naval power, that is a question about which there may be honest differences of opinion. That their defense, whether ultimately successful or not, would involve the sacrifice of tens of thousands of American lives and the expenditure of vast sums of money does not admit of two opinions. That it would mean the destruction of American commerce on the high seas and the prostration of all legitimate American enterprise and business during the continuance of the war will hardly be denied. It has recently developed, however, that it is the opinion of our military experts that it would not be expedient, in the event of war with any strong naval power, for the United States to attempt to defend the Philippines.

The policy of the United States in such an event will be, we are told, to abandon the islands, and, for the time being at least, to leave them to their fate. If this is to be accepted as the policy and purpose of the United States, then it is difficult to understand of what advantage the fortification of the islands, or any one of them, can possibly be to this country in case of a foreign war. On the contrary, it would seem to be the part of wisdom to discontinue at oncce the expenditure of the vast sums which Congress is annually asked to appropriate for the fortification of the islands, and the maintenance there of a large body of troops. Whether in the event of war our troops are voluntarily withdrawn as a wise strategic or precautionary measure, or they are driven out or captured by a superior hostile force, the result will be the same. The fortifications which have been constructed, and those now in course of construction, will fall into the hands of the enemy, and will render more difficult the ultimate recovery of the islands should any attempt be made in that direction. If, therefore, the opinion expressed by the Chief of the Bureau of Insular Affairs is shared by other military authorities, and there is little room for doubt as to this, then a decent regard for national pride, if no higher consideration, would seem to dictate that the sooner we withdraw from the Philippine Islands, and relinquish sovereignty over them, the better it will be for the people of the United States.

THE COST OF MAINTAINING AMERICAN SOVEREIGNTY IN THE PHILIPPINES.

Estimates vary widely as to the cost to the United States of maintaining American sovereignty over the Philippine Islands. It will never be possible to compute with any degree of accuracy what the total cost has been from the date of American advent up to the

present time. The late Senator Hoar declared more than 10 years ago that the United States had expended up to that time the enormous sum of $600,000,000, and his figures have never been successfully challenged. Within the past 10 years the United States have expended many millions in the islands for strictly military purposes. More than $10,000,000 have been expended within that period in the construction and equipment of fortifications alone.

The mean number of troops maintained by the United States in the Philippines during the fiscal year 1911 was 17,370, of whom 12,277 were American and 5,093 natives. It is estimated that it costs the Government $1,500 annually to maintain each soldier in the foreign service. Computed upon this basis the cost alone of maintaining the military forces in the Philippine Islands last year was over $26,000,000. It would be difficult to even estimate what part of the naval expenses of the United States should properly be chargeable to this account. It is probably safe to affirm that the sum which would be annually saved, under the conditions of peace and tranquillity which now prevail, were the United States to relinquish sovereignty over the Philippine Islands, would not fall much short, if any, of $50,000,000.

The foregoing constitutes in a measure the grounds upon which your committee base their conclusion that the inhabitants of the Philippine Islands can be safely intrusted with their independence, and that the withdrawal of American sovereignty over those islands would be mutually advantageous to the Filipinos and the people of the United States.

NEUTRALIZATION.

Fear has been expressed that if granted their independence the Philippines would become the easy prey of some land-grabbing nation, since the Filipinos possess neither a navy nor a standing army with which to defend themselves against foreign aggression. This subject need not be discussed in this report further than to say that a joint resolution has been reported from this committee requesting the President of the United States to open negotiations with such governments as in his judgments should be parties to the compact, including those of Great Britain, Germany, France, Russia, Japan, and Spain, with a view to securing and safeguarding the independence of the Philippines through an international agreement. It is not believed that efforts to secure such an international agreement would be attended with any great difficulty, since little, if any, responsibility would attach to the signatory powers. The independence provided for in this bill, however, is in no respect contingent upon the successful negotiation of any treaty of neutrality. If, for any reason, failure should attend these neutralization efforts, the Philippine Islands would be in no worse position in this respect than many other countries similarly situated whose independence is not guaranteed by international convention.

Notable among the small countries whose independence, although preserved inviolate for ages, has never been guaranteed by international treaty or otherwise, may be instanced the independent monarchy of Siam. This small Kingdom of southeast Asia resembles in many respects the Philippine Islands. The population of Siam is only a little less than that of the Philippines, and it is divided among a number of tribes who inhabit different portions of the country. The Siamese number 3,000,000, or less than half of the population, whilst the remainder is made up of Laos, Chinese, Malays, Cambodians, Bermese, and many others. There are, too, many small, uncivilized tribes which inhabit the mountainous sections, several of which possess the characteristics of the Negritos of the Philippine Islands. There are many different dialects spoken in Siam, and yet this non-Christian country, with no standing army, has never fallen a victim to any land-grabbing nation. And although the percentage of illiteracy is far greater in Siam—it being 90 per cent.—than in the Philippines, it maintains a stable as well as an independent government.

This brings us to the consideration of the various provisions and different features of the bill.

WHAT THE BILL PROPOSES.

The Philippine Government as it is at present constituted consists of a Governor General, appointed by the President of the United States, and a legislature composed of two houses, the Philippine Commission and the Philippine Assembly. The Philippine Commission is composed of nine members, all of whom are appointed by the President of the United States, and four of whom are the heads of the four executive departments of the Government. The assembly is composed of 81 members, all of whom are chosen by the qualified electors of the 31 regularly organized Provinces, the three special Provinces, and the city of Manila.

The general purpose of this bill is to establish in the Philippine Islands a provisional government more liberal and autonomous in character than that created under the provisions of the act of Congress of July 1, 1902, this temporary government to begin on the 4th day of July, 1913, and to continue for the period of eight years thereafter. In other words, there is to be a probationary period of eight years, during which the Filipinos are to be permitted to enjoy a larger measure of popular self-government than they now have. It is further provided that on and after the 4th day of July, 1921, the United States shall relinquish all rights of sovereignty over the Philippine Islands, and grant to the inhabitants thereof full and complete independence.

CONDITIONS PRECEDENT TO INDEPENDENCE.

The terms and conditions upon which Philippine independence is to be granted are (*a*) that the United States shall retain and exercise the rights of sovereignty over such lands and harborage waters as are actually

necessary for naval and coaling stations and convenient terminal points for cables, these lands and harborage waters to be selected by a commission composed of the President, the Secretary of State, and the Secretary of the Navy of the United States; (*b*) that the Government of the Philippines shall assume and carry into effect the treaty obligations of the United States with Spain; (*c*) that the Government of the Philippines shall guarantee that no higher tax shall be levied upon the property or business of citizens of the United States than is levied upon that of citizens of the Philippines, and that no law shall be enacted or agreement entered into whereby the citizens of any other country are given trade advantages over those of the United States; (*d*) and that citizens of the United States shall have freedom of access to and of travel in the Philippines for business and missionary purposes, and that all property rights by whomsoever legally acquired shall be held inviolate.

In making selection of naval and coaling stations and cable terminals it is expressly stipulated that the bay and harbor of Manila shall not be taken. The city of Manila is not only the capital but the very heart of the Philippine Islands, and it obviously would not be just to the Philippine people for the United States to retain the island of Corregidor, which commands the entrance to Manila Bay. There are other deep-water harbors equally as susceptible of fortification and defense, such for instance as Subig Bay, within 60 miles of Manila, which would meet all the requirements of the United States for naval bases and coaling stations. The United States has already expended considerable sums in the fortification of the entrance to Subig Bay, and the immense floating dry dock, *Dewey,* has been located at Olongapo in this bay.

CONGRESS OF THE PHILIPPINES.

The most important changes which this bill makes in the present government are to be found in section 6, which vests the legislative power of the Philippine Islands in a congress of the Philippines, and in those immediately following which define its powers and prescribe the method of the election of its members. This congress is to be composed of a senate and a house of representatives, each of which is to be elective.

The senate is to be composed of 38 members who are to be elected for a term of four years, one from each of the 31 regularly organized Provinces as they are now constituted, one each from the special Provinces of Mindoro and Palawan, one each from the non-Christian Provinces of Moro, Mountain, Agusan, and Nueva Vizcaya, and two from the city of Manila. The small Province of Batanes for the purpose of electing a senator is to be regarded as a part of the Province of Cabayan.

The house of representatives is to be composed of 87 members, elected biennially from the assembly districts as at present constituted, except that the Mountain, Agusan, and Nueva Vizcaya Provinces shall each elect one and the Moro Province three representatives.

Each male citizen 21 years of age or over, who has been a resident of the Philippines for one year and of the municipality in which he shall offer to vote for six months, and who either had held office under Spanish rule, or who owns property to the value of 500 pesos, or pays annual taxes to the amount of 30 pesos or more, or who is able to read and write either Spanish, English, or a native language is declared to be a qualified voter. Senators and representatives must be 25 years of age and able to read and write either Spanish or English.

From the foregoing it will be noted that the chief respects in which the Congress provided for in this bill differs from the present legislature are, first, that both of its branches are elective; second, that the inhabitants of the non-Christian Provinces are given representation in both bodies; and third, that the ability to read and write a native language is made to fulfill the educational test.

A glance at the structure of the Philippine Legislature and a cursory examination of the various and complex functions of the commission make apparent the necessity for radical changes in that body. The commission, as has been shown, is composed of appointive members, of whom one is the chief executive of the Philippine Islands. As a constituent part of the legislature it participates, together with the assembly, in all legislation relating to the affairs of the general government of the organized Provinces. It is, however, under the law, the sole legislative body for the non-Christian Provinces, and as such assumes the power and authority to appropriate money out of the general funds of the insular treasury for uses in non-Christian territory without the assent of the assembly.

The commission, therefore, not only shares with the assembly the power to legislate for the Christian people of the islands, but it exercises the exclusive power of legislating for the non-Christian tribes. It not only expends the revenue raised in the non-Christian Provinces for the exclusive benefit of the inhabitants of those Provinces, but it actually appropriates for their use and benefit such other funds as it may deem necessary out of the insular treasury, funds raised by the legislature. This is a most anomalous condition of affairs, and it is not surprising that it has given rise to much unfavorable comment and been productive of serious friction. In addition to this incongruous mixture of legislative power, four of the members of the commission are heads of executive departments and one is the Governor General. Thus it is seen that all the executive authority in the Philippines is vested in a majority of the commission. The secretary of the interior, under whose department the affairs of the non-Christian tribes are administered, is for all practical purposes their governor and legislature. The elective assembly has no share in the government of the non-Christians and without the concurrence of the commission can not legislate for the Christian population. This is a condition of affairs which, in our opinion, needs to be remedied. Experiences in the Philippine Islands as elsewhere, has shown that there should be a complete separation of the executive and legislative functions of government.

Giving representation to the people of the non-Christian Provinces marks a decided departure from the policy which has heretofore obtained in respect to them. These Provinces will be represented in the Philippine Congress, if this bill becomes law, by four senators and six representatives. This is a fair proportion of the total membership of the two houses according to population, and yet small compared to the whole number of senators and representatives. It

must be borne in mind in this connection that there are quite a number of civilized Christians residing in non-Christian Provinces. Especially is this true of the Moro Province, where, as has been shown, about one-half of the population of the city of Zamboango are Christians. Moreover, there are among the Moros themselves, as well as among the Igorots, a considerable number who are classified in the census as civilized. The educational and property qualifications prescribed will, however, unquestionably restrict the electorate of the Moro Province to a greater extent than will be the case in the organized Christian Provinces, but with the spread of education there will be a steady increase in the number of those who can exercise the right of suffrage.

There has been much comment upon and many unfair deductions drawn from the fact that there were only 200,000 votes cast at the last election for assemblymen. The proportions of this vote may be easily accounted for. In the first place many of the electorate were indifferent as to the exercise of their political rights because they felt that, inasmuch as the assembly would be powerless to accomplish anything without the concurrence of the commission, it would be little more than a moot assembly.

But this comparatively small vote may be mainly accounted for by the fact that the educational test then applied restricted the voting to those who could read and write either the English or the Spanish language. The one respect in which this bill proposes to change the suffrage qualifications of the present law is to permit those who can read and write in any language to vote. It is obvious that this will immensely increase the electorate, and of itself result in a very heavy vote in the future.

The Philippine Assembly has more than justified the faith of those who have steadfastly maintained that the Philippine people are capable of popular self-government. There have now been two legislatures, the inaugural session of the first having been convened on October 16, 1907. The membership of the two assemblies was in the main composed of wise, patriotic, and thoroughly capable legislators. The testimony is all to the effect that the delegates devoted themselves earnestly, assiduously, and patriotically to the performance of their duties and that they showed a marked aptitude for legislative work. No small number of them displayed conspicuous ability. President Taft, who was then Secretary of War, was present at the opening of the first legislature, and in an elaborate report subsequently made by him had this to say of the assembly:

"The assembly has shown a most earnest desire, and its leaders have expressed with the utmost emphasis their intention, to labor for the material prosperity of the Philippines and to encourage the coming of capital and the development of the various plans for the improvement of the agriculture and business of the islands which have commended themselves to those in the past responsible for the government there."

When Mr. Taft wrote his report, the legislature had not been in session sufficiently long to enable him to speak as to the manner in which the assembly actually performed its legislative duties. In an article written by Dr. James Alexander Robertson, reviewing the work of the extraordinary session of the second Philippine Legislature, which appeared in the November, 1910, number of the American Political Science Review, the writer has much to say that is highly commendatory of the assembly, or popular branch, of that body. Dr. Robertson, who is the librarian of the Philippine Library, and who therefore has had exceptional opportunities for observing the assembly at close range, says of it, among other things:

"When one considers the lack of opportunity that the Filipinos have had for representative government, this extraordinary session marks an epoch in the history of the Philippine Islands. This remark is no idle panegyric, but is based on actual contact and conversation with various members of the assembly, as well as attendance at many of the open meetings of the assembly.

"The assembly just closed was remarkable in several respects—for the discipline exercised by the speaker; for the great earnestness displayed by the representatives in general; for their dignity of bearing; and for their freedom from jingoism; and, outwardly at least, from party passion—outwardly, I say, because considerable party passion and personal feeling did at times creep into committee and secret meetings. In general, it may be said that this assembly, in its quietness and dignity of action, has established a precedent that can be well taken as a form for future sessions.

Among the delegates who have shown high order of ability may be mentioned Señor Sergio Osmeña, the speaker or presiding officer, and Señor Vicente Singson. These two Filipino statesman, the two most striking figures in the assembly, are the leaders, respectively, of the Nacionalista and Progreisista parties. Of Speaker Osmeña Mr. Taft said in the report hereinbefore referred to:

"He is a young man, not 30, but of great ability, shrewdness, high ideals, and yet very practical in his methods of dealing with men and things. The assembly could have done nothing which indicated its good sense so strongly as the selection of Señor Osmeña as its presiding officer."

There are many who regard Señor Pablo Ocampo, at one time Resident Commissioner to the United States, now a delegate from the city of Manila, as the equal in ability of either Osmeña or Singson. The names of many other delegates possessing superior intelligence and high ideals might be mentioned, such, for instance, as Gregorio Nieva, Jaime C. deVeyra, Alberto Barretto, Thomas G. Del Rosario, Mariano Ponce, and Macario Adriatico, the last named being the representative of the partially organized Province of Mindoro.

A people who have made so manifest their capacity for the performance of the legislative functions of popular government as the Philippine people have done in the past five years, as is shown in the history of the popular branch of the Philippine Legislature, can, it is believed, be safely intrusted with the exercise of full legislative power. There is no good reason for believing that the same discriminating judgment will not be shown in the future by the Philippine people in the election of the upper house of a Philippine Congress as has been demonstrated in the past in the selection of the membership of the present popular assembly.

The first general election for senators and representatives of the Philippine Congress is not to take place until the year 1913, and the bill expressly provides that during the existence of the eight-year provisional government the President of the United States shall have absolute veto power over any bill which it may pass. It further provides that the Congress of the United States may during that period annul any bill passed by the Philippine Congress. Moreover, during this period the President of the Philippines is also given the right to exercise the veto power over all legislation enacted by the Philippine Congress.

THE CHIEF EXECUTIVE.

The bill provides that the executive power of the Philippines for a period of eight years, commencing on the 4th day of July, 1913, shall be vested in a president to be appointed by the President of the United States, by and with the consent of the Senate of the United States, who shall hold his office for a term of four years. During this period of eight years the power of the president of the Philippines to make treaties with the concurrence of two-thirds of the Senate of the Philippines, will be subject to the approval of the President and two-thirds of the members of the Senate of the United States. After the 4th day of July, 1921, the president of the Philippines is to be elected by the qualified voters thereof.

EXECUTIVE OFFICES.

In addition to the appointment of secretaries of the departments of the interior, commerce and police, finance and justice and public instruction, as those departments are at present constituted, the president of the Philippine is authorized to appoint a secretary of state and a secretary of war and navy, except that for the period of eight years succeeding the 4th day of July, 1913, the President of the United States, by and with the advice and consent of the Senate thereof, shall appoint the secretary of state. As the duties of the secretary of state will concern the foreign relations of the Philippines, and the exercise thereof might in some way involve the United States during the existence of the provisional government, it was deemed wise that this official should be appointed by the President of the United States during that period.

The sections of the bill to which attention has thus been specifically directed, embrace what are regarded as its most important and far-reaching features. The remaining sections do not involve any radical changes in the existing organic law and relate more or less to matters of detail.

In conclusion, it is only necessary to add that, in the opinion of this committee, if this bill as amended is enacted into law, it will enable the Philippine Islands and set up a stable and enduring government of their own. The act by which the United States shall forever relinquish sovereignty over the Philippine Islands and give to their inhabitants an independent government republican in form will constitute a glorious page in the history of the American Republic.

NEUTRALIZATION OF THE PHILIPPINES.

MR. OLMSTED, from the Committee on Insular Affairs, submitted the following as the VIEWS OF THE MINORITY.

House joint resolution 278, as reported from the Committee on Insular Affairs, reads as follows:

"JOINT RESOLUTION To authorize the President of the United States to secure the neutralization of the Philippine Islands and the recognition of their independence by international agreement.

"Whereas it is the purpose of the United States to relinquish sovereignty over the Philippine Islands and the people thereof and to permit said people to establish for themselves an independent government, and it being eminently desirable that such independence shall be secured and safeguarded by a general treaty of neutrality: Therefore

"Resolved by the Senate and House of Representatives of the United States of America in Congress assembled, That the President be, and he hereby is, requested to open negotiations with such foreign Governments as in his judgment should be parties to the compact, including those of Great Britain, Germany, France, Russia, Japan, and Spain, whereby the neutralization of the Philippine Islands shall be guaranteed and their independence recognized through international agreement."

This resolution is premature. According to the usages of international law, no State can be neutralized except it be a sovereign, independent State, capable itself of being a party to the compact. The Philippine Islands do not constitute such a State.

It is our belief that the Philippines are not prepared or fitted for self-government. It is not, indeed, proposed by anybody that they shall be made an independent State in the very near future. It is true that over our protest the Committee on Insular Affairs has, within the past week, reported, and there is now pending, H. R. 22143, entitled "A bill to establish a qualified independent government for the Philippines, and to fix the date when such qualified independence shall become absolute and complete, and for other purposes," but that bill has not yet been enacted into law. And if it shall be there will remain a period, from the date of its enactment until July 4, 1921, during which the Philippines will not be independent of the United States, can not perform certain functions without our consent, or pass laws which shall not be subject to the President's veto. By the terms of that bill the United States must "protect them (the philippines) against invasion, and, on application of the Congress thereof against domestic violence, for a period of eight years from and after the 4th day of July, 1913." Under such conditions it would be vain and foolish to attempt negotiations with other nations for the present neutralization of the Philippines, whose independence it is not proposed to grant until 1921.

The reasons why we do not believe the Filipinos fitted for self-government now, or that it would be safe or wise at this time to promise them absolute independence at any given future date, are sufficiently set forth in our monthly report upon H. R. 22143, which, for convenience of reference, we make part hereof and attach as Exhibit A.

M. E. OLMSTED.
E. D. CRUMPACKER.
CHARLES E. FULLER.
E. H. HUBBARD.
C. R. DAVIS.
E. A. MORSE.
H. M. TOWNER.

EXHIBIT A.

PHILIPPINE INDEPENDENCE.

"Mr. Olmsted, from the Committee on Insular Affairs, submitted the following, as the views of the minority (to accompany H. R. 22143):

"Whether the acquisition of the Philippine Islands was necessary or unnecessary, wise or unwise, need not now be discussed. Under the treaty with Spain they came into our possession, and we became responsible to the inhabitants thereof and to the world for the maintenance of peace and good order therein and the advancement of prosperity.

"The bill (H. R. 22143) providing for Philippine independence would, if enacted into law, increase rather than lessen our responsibility, while lessening our ability to perform our moral and just obligations.

"The inhabitants of the Philippine Islands do not constitute a homogeneous people. They are composed of many different tribes, some styled as civilized and some admittedly wholly wild. There are some 15 or 20 different languages or dialects spoken in the islands. In many instances those who speak one dialect can not speak or understand any other. Only about 10 per cent. of all the people can read and write in any language or dialect, and less than 3 per cent. possess what we would call a fair common-school education. Of the entire 8,000,000, less than 2½ per cent., or about 200,000, have been found qualified to vote under existing laws. A few of these, chiefly among the Tagalogs, are very well educated. A smaller number are ambitious to govern, and they have no difficulty in stirring up a very considerable popular sentiment in favor of entire independence. There are, on the other hand, many who privately, if not publicly, look with fear and disfavor upon such a prospect. Spain was not able, with all her power, to maintain decent government, and turned the islands over to us in a very disordered condition. It required some time, no small expenditure of money, and, unhappily, some sacrifice of human life, to restore order; but it was finally restored.

"Under American rule order has been brought out of chaos; the people of the islands have enjoyed better government and more of self-government than ever before. Life, liberty, and property have never been so fully protected as at the present time.

"The wild and uncivilized inhabitants of the islands outnumber, three to one, those who would be qualified to vote under the provisions of the pending bill. These uncivilized and wild peoples in the non-Christian Provinces are governed by the Philippine Commission appointed by the President of the United States. They are not within the jurisdiction of the Philippine Assembly, which legislates for the Christian Provinces. They are satisfied to be ruled by the United States, but would fight at the drop of the hat if turned over to the government of those with whom they were at war at the time of the American occupation.

"The first governor of the Philippines was William Howard Taft. His administration was eminently successful and he became very popular with the inhabitants. Later, as Secretary of War, he had a certain supervision of their affairs. His long residence there, his subsequent visits, his association with the people of all classes and of all parts of the islands, and his familiarity with the Spanish language, all join to make him the best qualified American to speak upon the subject. In a special message, which, as Secretary of War, he made to President Roosevelt in 1908, he said:

"'Any attempt to fix the time in which complete self-government may be conferred upon the Filipinos in their own interest is, I think, most unwise. The key to the whole policy, outlined by President McKinley and adopted by Congress, was that of the education of the masses of the people and the leading them out of the dense ignorance in which they are now, with a view to enabling them intelligently to exercise the force of public opinion without which a popular self-government is impossible.

"'It seems to me reasonable to say that a condition can not be reached until at least one generation shall have been subjected to the process of primary and industrial education, and that when it is considered that the people are divided into groups speaking from 10 to 15 different dialects, and that they must acquire a common medium of communication, and that one of the civilized languages, it is not unreasonable to extend the necessary period beyond a generation. By that time English will be the language of the islands, and we can be reasonably certain that a great majority of those living there will not only speak and read and write English, but will be affected by the knowledge of free institutions and will be able to understand their rights as members of the community and to seek to enforce them against the pernicious system of caciquism and local bossism, which I have attempted in this report to describe.

"'But it is said that a great majority of the people desire immediate independence. I am not prepared to say that if the real wish of the majority of all the people—men, women, and children, educated and uneducated—were to be obtained, there would not be a very large majority in favor of immediate independence. It would not, however, be an intelligent judgment based on a knowledge of what independence means, of what its responsibilities are, or of what popular government in its essence is. But the mere fact that a majority of all the people are in favor of immediate independence is not a reason why that should be granted if we assume at all the correctness of the statement, which impartial observers can not but fail to acquiesce in, to wit, that the Filipinos are not now fit for self-government.

"'The policy of the United States is not to establish an oligarchy, but a popular self-government in the Philippines. * * * The presence of the Americans in the islands is essential to the due development of the lower classes and the preservation of their rights.'

"And again, in the same report, Secretary Taft said:

"'The educated Filipino has an attractive personality. His mind is quick, his sense of humor fine, his artistic sense acute and active; he has a poetic imagination; he is courteous in the highest degree; he is brave; he is generous; his mind has been given by his education a touch of the scholastic logicism; he is a musician; he is oratorical by nature.

"'The educated Filipino is an aristocrat by Spanish association. He prefers that his children should not be educated at the public schools, and this accounts for the large private schools which the religious orders, and at least one Filipino association, are able to maintain. In arguing that the Philippines are entirely fit for self-government now, a committee of educated Filipinos once filed with the civil governor a written brief, in which it was set forth that the number of 'illustrados' in the islands was double that of the offices—central, provincial, and municipal—and therefore the country afforded two 'shifts' of persons competent to run the Government. This, it was said, made clear the possibility of a good government if independence was granted. The ignorance of the remainder of the people, admitted to be dense, made no difference. I cite this to show of how little importance an intelligent public opinion or an educated constituency is regarded in the community and government which many of the educated Filipinos look forward to as a result of independence.'

"In the special message to Congress presenting that report, President Roosevelt said:

"'I transmit herewith the report of Secretary Taft upon his recent trip to the Philippines. I heartily concur in the recommendations he makes. * * * No great civilized power has ever managed with such wisdom and

disinterestedness the affairs of a people committed by the accident of war to its hands. If we had followed the advice of the misguided persons who wished us to turn the islands loose and let them suffer whatever fate might befall them, they would have already passed through a period of complete and bloody chaos and would now undoubtedly be the possession of some other power which there is every reason to believe would not have done as we have done. * * * Save only our attitude toward Cuba, I question whether there is a brighter page in the annals of international dealing between the strong and the weak than the page which tells us of our doings in the Philippines. I call especial attention to the admirably clear showing made by Secretary Taft of the fact that it would have been equally ruinous if we had yielded to the desires of those who wished us to go faster in the direction of giving the Filipinos self-government and if we had followed the policy advocated by others, who desired us simply to rule the islands without any thought at all of fitting them for self-government. * * * It will probably be a generation, it may even be longer, before this point is reached; but it is most gratifying that such substantial progress toward this as a goal has already been accomplished. We desire that it be reached at as early a date as possible for the sake of the Filipinos and for our own sake. But improperly to endeavor to hurry the time will probably mean that the goal will not be attained at all.'

"At a still later period Hon. J. M. Dickinson, Secretary of War, having made an extended visit to the Philippines, in a special report to the President dated November 23, 1910, spoke of the attempt by politicians, through the press and in other ways, to stimulate a general demand for immediate independence. He said:

"'While, as stated, these are the only views publicly expressed, I became convinced from reliable evidence that many of the most substantial men, while not openly opposing the demands publicly voiced, would regard such a consummation with consternation. They realize that the Government would fall into the hands of a few who would dominate the masses; that the administration, even without outside interference, could not be successfully carried on; that there would be internal dissensions and probably civil war; and that if the United States did not interfere they would fall an easy prey to some foreign power.'

"In his last annual message to Congress, President Roosevelt said:

"'The Filipino people, through their officials, are therefore making real steps in the direction of self-government. I hope and believe that these steps mark the beginning of a course which will continue till the Filipinos become fit to decide for themselves whether they desire to be an independent nation. But it is well for them (and well also for those Americans who, during the past decade, have done so much damage to the Filipinos by agitation for an immediate independence for which they were totally unfit) to remember that self-government depends, and must depend, upon the Filipinos themselves. All we can do is to give them the opportunity to develop the capacity for sef-government. If we had followed the advice of the foolish doctrinaires who wished us at any time during the last 10 years to turn the Filipino people adrift, we should have shirked the plainest possible duty and have inflicted a lasting wrong upon the Filipino people. We have acted in exactly the opposite spirit. We have given the Filipinos constitutional government; a government based upon justice; and we have shown that we have governed them for their good and not for our aggrandizement. At the present time, as during the past 10 years, the inexorable logic of fact shows that this government must be supplied by us and not by them. We must be wise and generous; we must help the Filipinos to master the difficult art of self-control, which is simply another name for self-government. But we can not give them self-government save in the sense of governing them so that gradually they may, if they are able, learn to govern themselves. Under the present system of just laws and sympathetic administration, we have every reason to believe that they are gradually acquiring the character which lies at the basis of self-government, and for which, if it be lacking, no system of laws, no paper constitution, will in anywise serve as a substitute. Our people in the Philippines have achieved what may legitimately be called a marvelous success in giving to them a government which marks on the part of those in authority both the necessary understanding of the people and the necessary purpose to serve them disinterestedly and in good faith. I trust that within a generation the time will arrive when the Filipinos can decide for themselves whether it is well for them to become independent or to continue under the protection of a strong and disinterested power able to guarantee to the islands order at home and protection from foreign invasion. But no one can prophesy the exact date when it will be wise to consider independence as a fixed and definite policy. It would be worse than folly to try to set down such a date in advance, for it must depend upon the way in which the Filipino people themselves develop the power of self-mastery.'

"The pending bill provides that 'the United States guarantee to the Philippines their independence, and shall protect them against invasion, and, on application of the Congress thereof, against domestic violence for the period of eight years.'

"The Moro Province is non-Christian and uncivilized, although it has a few intelligent people. They do not consider themselves as Filipinos, and were, when we took the islands, in a state of war. They are now well satisfied to be governed by the United States, but wholly unwilling to be governed from Manila.

"What would be the condition of the United States to-day if it were under guaranty to protect Mexico from domestic violence as well as against foreign invasion? Can it be doubted that if the Philippines were set adrift the present conditions in Mexico would be calm and peaceful as compared with those which might soon be expected in those islands? The Government of the United States could not, under any circumstances, sit idly by and see those tribes and peoples fighting among each other; nor could it, either before or after the expiration of the eight years' period, permit any other power to make war upon and seize them.

"Our cares and responsibilities would be vastly increased by the passage of this bill, while our ability to meet them would be greatly impaired.

"The expense to the United States of preserving peace and order under an attempted government by the Filipinos themselves would be greater than under our present control.

"There seems to be an impression that the Government of the Philippines is imposing a vast financial burden and expense upon the United States. That is far from true.

"The government of those islands is now entirely self-supporting and its finances in good condition.

"The Philippines do not at present impose any expense upon the United States, except in the excess cost of maintaining a portion of the Army there over what it would cost to keep it at home.

"The expense of transportation does, of course, add something to the cost of the Army. On the other hand, the largely increased market afforded by the Philippines for the products of our farms and factories is of a great deal of value to us.

"The Philippines are rich and fertile, but their agriculture is of the crudest possible kind. If it were our intention to hold and develop them, they could be made

extremely valuable possessions; but, as expressed by Presidents McKinley, Roosevelt, and Taft, it is our policy to help them up to a point where they are fitted for self-government.

"It would be a cowardly shirking of our duty, a disgrace to the American people, and an injury to the Filipinos to give them self-government before they are fitted for it."

M. E. OLMSTED.
E. D. CRUMPACKER.
CHARLES E. FULLER.
E. H. HUBBARD.
CHARLES R. DAVIS.
E. A. MORSE.
H. M. TOWNER.

PHILIPPINE TRADE.

A statement of the foreign trade of the Philippine Islands for nine months ending September, 1912, given out by the Bureau of Insular Affairs, shows total imports to the value of $48,269,590, and exports $39,929,051, resulting in an increase over the corresponding 1911 period of $12,827,234 in imports and a larger export trade by $8,079,822 or an increase of 36% in imports and 25% in exports.

Of the large increase in import values rice is the leading item and constitutes approximately half. The effect of the severe drought on local production combined with famine conditions in the rice market throughout the Orient during the past year, has resulted in greatly increased quantities of rice imported and at prices considerably the highest during American occupation. Imports of rice during the nine months amounted to $11,433,283 against $5,294,014 in the corresponding period of 1911. In addition to this heavy increase in imports of the staple foodstuff of the islands due to extreme emergency conditions, there were substantial increases in other branches of trade—notably in the case of meat and dairy products, cotton goods, wheat flour and mineral oils.

In the larger export trade for the nine months of 1912 hemp is the leading factor, with copra and cigars also showing considerably increased values, while there was a material decline in sugar shipments. The extremely low price of hemp that has prevailed for some time, showed a marked and steady upward movement throughout the period from an average of $101 per long ton in January to $141 in September, while the quantities marketed continued large, and yielded an increased value of $4,737,087 over that of the corresponding period of depressed prices in 1911. Larger quantities and improved export prices also operated in the case of copra and resulted in an increase of $3,549,490, while in the cigar trade the growing American demand was the ruling factor in an increase of $1,185,261.

The severe drought that resulted disastrously for rice production also seriously affected the sugar industry and exports for nine months amounted to 148,543 against 192,028 long tons for the same period of 1911, with a reduction of $2,442,308 in value.

Imports from the United States amounted to $18,251,889 and represented 38% of the total. In the increase of $4,450,529 there was a larger trade in cotton goods, breadstuffs, meat and dairy products and mineral oils. The United States took 43% of all exports and was credited with a value of $17,163,901 in which increased values for hemp, copra and cigars were to a large extent offset by a reduced sugar trade.

Exports of sugar were less exclusively to the United States than heretofore since the establishment of free trade. American purchases of cigars on the other hand greatly increased and constituted more than half the value of this larger trade.

A PHILIPPINE FAMINE PREVENTED.

The importance to the Filipino people of the work of the Americans responsible for the government of the Islands is strikingly shown in the measures taken to prevent a famine as the result of the failure of the rice crop and the efforts to prevent a recurrence of such a situation. The annual report just received by the Insular Bureau shows that the production of rice in the Philippines for more than ten years past has fallen far short of the amount required to meet the demand for this chief food staple of the majority of the Filipino people, and when it was found that there had occurred in both the Philippines and Indo-China, the chief foreign source of supply, a serious shortage in the 1910 crop it became apparent that a critical situation would occur. The anticipated disturbed conditions in the market materialized in the month of August, 1911, precipitated by the order of the French Government in Indo-China prohibiting the export of rice. The price went rapidly upward until on September 15, the extraordinary high quotation of $3.48 per hundred pounds was the lowest which could be secured for the standard quality—Saigon No. 2, white, in sixty-ton lots at the dealers' warehouses in Manila. For more than six years previously the wholesale market price of rice in Manila had been below $2.40 per hundred.

The Governor General appointed a committee of investigation. It was obvious that drastic action must be taken at once to prevent further rise in prices and to bring them if possible back to a figure approximating those customarily ruling, and upon which were promised the wage schedules of laborers and 95% of skilled and unskilled employees of commercial and industrial enterprises. Importers and large dealers seemed definitely of the opinion that prices would go very much higher, and it was reported that one large dealer who had about 6,000 tons in stock refused to sell at the rate of $3.48 per hundred and said he expected to get 4.8 cents per pound for his stock. The situation was such as to present a strong temptation to those owning stocks of rice to hold them for purely speculative prices without regard to the usual margin of profit to which merchants are entitled. For the government to take action was, therefore, no discrimination against merchants as a class but was actually a protection to them in that it tended to prevent the general impoverishment of their customers merely for the benefit of a few speculators. Upon the recommendation of the committee, a cargo of rice was purchased which was available for immediate delivery at Manila and another for almost immediate delivery at Cebu, and further purchases were made of cargoes which would probably not otherwise have come to the Philippines, the shortage being general throughout the entire region. A total of 13,272.48 tons was purchased at a total cost of $925,127.37. This rice was placed on sale through provincial and municipal governments as far as possible directly to consumers in small quantities. The upward movement of prices was, of course, checked at once by this action and dealers, in order to move their stocks, sold at rates slightly below the government price which was then from time to time reduced until on November 11, 1911, the Government price was fixed at $3.00 per cavan of 125 pounds at Manila, which, as has been stated above, was slightly greater than the highest quotation for several years previously.

The heavy floods in the latter part of 1911 followed by a general and exceedingly severe drought throughout the rice and corn producing provinces indicated a still greater crop failure for 1911 than that of 1910. The problem then became one not merely to prevent improper inflation of prices but to assure an adequate supply of rice until the latter part of January or the middle of February when the Indo-China crop ordinarily begins to arrive in Manila and Cebu.

Only by the exercise of great care and strict enforcement of restrictions as to the amounts that might be sold to any one purchaser was it possible for the Government to carry the situation through until February 14th when the new local and Indo-China crops became a controlling factor in the market. All of the government stocks of rice were exhausted and nearly one thousand tons more than was available could have been shipped out had requisitions been filled without reduction during the last months of the operations. The loss to the Government was $94,130.61. This loss was incurred on funds of the Insular Treasury—the undivided money of the people, and was many times over offset by savings aggregating several millions of pesos in the pockets of the individual purchasers and consumers of rice who by reason of the intervention of the Government paid but from fifty to seventy-five per cent. as much for their rice as would otherwise have been necessary, and, furthermore, would probably have been for at least one month entirely without rice and forced to seek substitutes. The saving to the public on the stock of the one dealer already mentioned amounted to more than the total loss to the Insular Treasury.

By reason of the serious shortage in the local 1911 crop it was apparent that an unusually large amount of rice must be imported this year (1912). The Indo-China crop was also found to be short again and prices in the Manila and Cebua markets have accordingly kept abnormally high. In view of the probable repetition of last year in the exhaustion of stocks in both Saigon and Rangoon, or at least that they would be so limited as to fall easily into the hands of speculators, it seemed necessary again for the Government to intervene, and the Legislature which on October 19, 1911, had in effect by an act confirmed the action of the Governor General in the purchase and sale at reasonable prices of foodstuffs, again by another act authorized the Governor General to take such steps as in his judgment might be necessary and warranted by circumstances to prevent the price of rice from rising above a reasonable rate, and to supply rice and other foodstuffs to the people at reasonable prices.

The annual importation of rice into the Philippines according to the experience of the past thirteen years may be depended upon to be from one hundred to two hundred and fifty thousand tons. To produce this quantity in the Islands it will be necessary to increase the area planted to rice by about six hundred thousand acres, or secure an improvement in the present methods of cultivation which would give a corresponding increased production.

But even if the Islands produced all the rice required for consumption at home, there must be anticipated years in which by reason of crop failures in some districts whose inhabitants, owing to their complete dependence upon one single crop, be it sugar, tobacco, copra, or rice, and on account of other existing economic conditions, would be without money with which to buy rice from those districts of the Islands where an excess production would be had. This very situation has existed repeatedly in the history of the Islands and may be expected to repeat itself until a remedy is discovered and applied.

Perhaps the most lasting harm caused by the conditions just mentioned is that the people, owing to the failure of their own crop and having no other resources, are forced to leave their fields and homes and seek employment elsewhere to secure food. The natural movement under these conditions is to the large centers of population where employment may be had. While families make this change intending it to be a mere temporary arrangement, a considerable percentage remains in the cities and are permanently lost to agriculture; the fields formerly cultivated by them are abandoned and the danger of too great a trend from rural to urban life threatens.

A review of the experience of other countries, particularly in Europe and Asia, seems to indicate that the generalization of cottage or household industries offers a solution in part, at least, of this Philippine problem. While the public schools are devoting much time to the instruction of children in these industries, it seemed apparent that for immediate and large results it would be necessary to provide for the instruction of adults in large numbers. The director of education drafted a bill which was passed by the Philippine Assembly appropriating $50,000 to establish in Manila a School of Household Industries, which will train about 300 women from various parts of the Islands who are to return to their home communities to teach adults the various handicrafts now taught to the children in the intermediate schools. While the development of household industries increases the incomes of individual workers, it is relatively a subordinate phase of relief, the main problem being the increase in the production of rice to meet fully the Philippine demand.

There are in the Philippines in the great valleys of Luzon, of Mindoro, of Mindanao, and of the smaller islands, ample areas of public land easily developed into rice plantations of the first class, with excellent water transportation facilities, and so free from forest growth as to be immediately available for rice planting. There are in the Ilocos provinces, in the southern part of the island of Cebu, in a portion of the island of Bohol, and to a lesser extent in other portions of the archipelago congested populations which, with great difficulty, are striving to produce enough food for their own consumption by the cultivation of exhausted fields and rocky hillsides. If 30,000 families could be induced to abandon their present homes in the districts just mentioned and locate under government supervision on the public lands described above, the Philippine Islands will cease to send some ten million dollars annually to French Indo-China and British Burma, neither of which countries annually purchases more than a few thousand dollars worth of Philippine products.

The importance of remedial measures is shown by the fact that in the first nine month of 1912 there were imported into the Philippines more than two hundred and forty million pounds of rice in excess of the large amount imported in the corresponding period of the preceding year. In other words, the value of rice importations from January 1st to the end of September was $11,433,283, or more than six million dollars in excess of the amount sent abroad for the same purpose in the nine months of 1911. This increase accounts for more than two-thirds of the adverse balance of trade during these months, thus constituting a serious drain on the resources of the Islands.

The Executive Secretary in his report states:

"The intervention of the Executive Bureau in the matters discussed in this and the preceding sections of this report have been premised upon the somewhat comprehensive view of our economic situation revealed by a constant study of ways and means for increasing the financial resources of provincial and municipal governments: the need for developing a greater tax paying power in the resident of the Islands, be he farm laborer or capitalist, and consequent relative lightening of the tax burden though its weight be increased as stated in pesos and centavos. The popular demand fortunately is for more extensive and efficient public service. Six pesos as compared with three pesos per capita per annum will secure more than twice as much material results in both extent and efficiency of primary school instruction, public sanitation, means of communication, construction of roads and ports, charities, higher education, and in all other public services the people desire and should have."

The reference to a taxation of three pesos per annum applies to the taxes paid to the general insular government. The taxes paid the municipal and provincial governments amount to about one and a half pesos per inhabitant. The total taxation is, therefore, approximately $2.25 per capita, an amount that seems pitifully small to those sufficiently familiar with the islands to appreciate the many ways in which the welfare of the Filipinos is hampered because their government is unable to do many needed things on account of the limited funds available.

TRADE AND DEVELOPMENT OF CENTRAL MANCHURIA.

(*From Consul Lester Maynard, Harbin.*)

The Sungari River and its tributaries form the principal water course of north Manchuria and drain practically the entire Harbin consular district. Between Harbin and Kirin the river is very swift and navigation is possible only for light-draft vessels. Light-draft steamers can navigate only the part of the river from Kirin to Taolaichao, from which point to Petuna the obstacles to navigation presented by shifting sand banks and the constantly changing channel are so great as to render the river impassable for steamers. From Petuna to the junction of the Sungari and Amur Rivers navigation is possible from the end of April to the latter part of October.

Trade on the lower Sungari, from Harbin down, is of considerable importance, particularly between Harbin and Sansing and way ports. The river is well marked, and as the channel changes the beacons are shifted by a special staff using motor boats. The average draft of steamers navigating between Harbin and the Amur is between 3 and 4 feet, and these vessels average about 230 tons, the largest being 449 tons. The largest barge is 750 tons and the average for barges is about 300 tons. Most of the barges draw 4 feet of water and when fully loaded have a draft of 6 feet.

COMMERCIAL IMPORTANCE OF HARBIN.

Harbin, which is by far the most important city in the consular district, owes its existence to the construction of the Chinese Eastern Railway, which crosses the Sungari where the city is now located. The population of about 75,000 includes Chinese and foreigners. As Harbin is the center of the soya-bean district, and the logical shipping point, it has enjoyed a rapid growth and considerable prosperity, although development has been hindered to some extent by the high rates of interest and the fact that land can not be purchased outright. Russians in the employ of the Chinese Eastern Railway make up a large proportion of the population, and the consuming power of the city is therefore largely governed by the prosperity of the railroad.

The gross total imports through the Harbin river customs during 1911 amounted to $2,121,831, and the gross exports of local origin to $2,626,167. Of a possible 5,000 tons of freight brought to Harbin by barges and steamers in 1911, over 4,640 tons were imports of salted fish. Exports from all the Sungari River ports amounted to over 150,000 tons during the same year, which includes only the goods handled by barges and steamers. Of these exports, nearly 120,000 tons were shipped from Harbin. The principal item exported from the various ports was grain, the shipments totaling 61,000 tons, of which over 32,000 tons were loaded at Harbin. Exports of flour reached 34,306 tons; oats, barley, and kaolian, 15,560 tons; groats, 9,524 tons; and beans, 3,002 tons.

TRADE OF MINOR TOWNS ON THE SUNGARI.

Peisato is the first point of importance downstream from Harbin, and is about 16 miles below that city, at the junction of the Hulan and Sungari Rivers. It is the port of shipment for the products of Hulan, Peituanlintzu (Suihuafu), and Tungken districts, which lie to the north of the Sungari River in Heilungchiang Province, and produce principally grain and beans.

Bayansusu, on the Heilungchiang side of the Sungari, and about 65 miles below Harbin, is the next port of importance, and the shipping port of Bayenchow, another important bean and grain center.

Shintien, situated on the Kirin side of the Sungari, and about 95 miles below Harbin, is the port of shipment for Chiapanchan, a town of commercial importance, situated about 5 miles from the river. The wheat, beans, barley, and kaoliang of the surrounding region are sold through this town.

Chalinho is about 140 miles below Harbin on the Heilungchiang side of the river, and is important only for its sawmill.

Ihantung, on the Kirin side of the river, 160 miles below Harbin, is an important wood-storing point for supplying Sungari River steamers with fuel; it can be approached at any stage of water.

Temoli, 165 miles below Harbin, on the Kirin side of the river, is also an important depot for firewood. It was formerly a Russian military post and telegraph station. Down to this point the banks of the Sungari show signs of habitation and cultivation, and farms of considerable size can be seen from the river. Nevertheless, great areas of rich flat land situated above high-water level remain uncultivated. This land, which is in direct water communication for six months of the year with the Chinese Eastern Railway to the south, and with the Amur River thence to Nikolaiefsk on the north, offers almost unlimited agricultural opportunities, and its development will lead immediately to a large sale of agricultural machinery and implements. Heretofore occidental methods and machinery have remained untried in this vast and fertile region.

TRADE AND INDUSTRIES OF SANSING.

Sansing has a population of about 15,000, and is located at the junction of the Mutanchiang and Sungari

Rivers, about 215 miles below Harbin. With the exception of Harbin, it is the only city of importance on the lower Sungari. It was made a treaty port in 1905, but a Chinese customhouse was not opened until 1909. The principal occupation is hunting, fishing being for local consumption only.

The British-American Tobacco Co. has an office at Sansing. The sales of tobacco during 1911 amounted to about $30,000, and it is believed that the total for 1912 will double that amount. It is said that the Japanese cigarettes can not compete in this market.

During the winter of 1911-12 about 7,000 cases of Russian kerosene were sold. American oil is well and favorably known, but at present is not represented.

American sheetings are the principal cotton goods sold, but flannels and drills are almost all of Japanese manufacture. Sheetings are imported through Newchwang, where duty is paid. The imports into Sansing have been as follows: In 1909, 136 pieces; 1910, 3,780 pieces; 1911, 32,542 pieces. Japanese drills were imported for the first time in 1911, the total reaching 997 pieces. Japanese flannels have been imported as follows: In 1909, 169 pieces; 1910, 88 pieces; 1911, 340 pieces.

One sawmill is located at Chalinho, on the Sungari River above Sansing; its principal shipments are to Harbin direct, but about 35,000 cubic feet of timber per month are shipped to Sansing. One small nankeen mill in Sansing, owned by the local tao-t'ai and operated for the purpose of teaching the poor, employs about 20 people. A flour mill, operated by wind power, and with a capacity of about 2 tons of flour per day, is owned by the Chinese Chamber of Commerce, but is rented.

Sansing is the center of a large hunting and trapping district and is an important fur market. During the winter months the town shows considerable activity, as the Russian fur merchants meet here and are the principal source of revenue for the community. The most valuable fur is the sable, the average annual catch of which is 8,000 to 9,000. The skins are valued at $25 to $250 each, with an average value of about $75. From 300,000 to 400,000 squirrel skins are exported annually and about 10,000 fox skins, the price of the latter varying from $5 to $10 each, with an average of $6 per skin. Raccoon skins are also plentiful, there being about 6,000 per year, valued at 50 cents to $1.50 each. In addition there are offered for sale about 10,000 weasel, 300 to 400 otter, and about 20 tiger skins, as well as lynx, bear, and badger skins.

MINERALS—EXPORTS AND IMPORTS.

Rich placer deposits are being worked about 100 miles from Sansing at Huapikou, Taipingkou, Tuyaotzukou, and Heipeikou. The old Chinese methods are employed and only the coarse gold is saved. About 400 people are employed. The average annual yield of gold is valued at about $80,000. Coal is also found in the neighborhood of Sansing, but the mines are not worked.

There are 19 oil mills in the vicinity of Sansing, with a daily capacity of about 12 tons of beans, yielding about 3,800 pounds of oil. About 60,000 tons of grain are exported annually. Timber and firewood are shipped from the Mutanchiang River in spring and autumn. The gross total imports of all goods through the Sansing customs during 1911 amounted to $487,346, and the gross exports of local origin to $1,143,074.

The shipments of furs do not appear in the customs statistics, as they are all forwarded via the overland route in winter. During the winter of 1911-12 the Chinese traders who purchased the skins from the hunters maintained very high prices, with the result that the Russian buyers departed without making purchases. As there are no facilities in Sansing for curing skins, the entire year's catch was forwarded to Mukden.

AGRICULTURAL DEVELOPMENT.

A number of local Chinese companies have been formed to farm on a large scale in the vicinity of Sansing. The principal company, known as the Kirin Colonization & Agricultural Co., is located about 100 miles up the Mutanchiang River, which is navigable for junks at that distance. A Chinese general is president of the company, and a number of tao-t'ais and prefects and other officials are shareholders. The par value of the shares is 100 taels, but the number of shares to be issued has not been decided. It is stated that 80,000 taels (about $50,000) has been paid in cash. The present plan is to divide the land into small sections and settle poor farmers for a period of six years, cultivation to be according to Chinese methods, and at the end of that time, when the land is thoroughly cultivated, to take it back and cultivate it as one large farm. The manager, however, expresses himself as being in favor of adopting modern methods at once, and thus getting a crop the first year. With this in view he will endeavor to induce the shareholders to authorize him to purchase American machinery and to proceed next spring with the cultivation of a portion of the land. If this method proves satisfactory, it will mean American machinery and methods for the entire farm. The company has three pieces of land with a total acreage of 87,405.

Until recently land in this district was owned by the Government, and leased. Later it was offered for sale and large areas have been purchased, the fixed price for tillable land being 60 cents per acre; the land is sold only to Chinese. It is said that the best tracts of land have now been sold.

At present German plows are the only foreign agricultural implements sold in the neighborhood of Sansing. About 100 are sold annually at an average price of $18 each; an extra charge is made for fore carriages. These plows, however, are apparently not proving entirely satisfactory. They require about seven to nine ponies, and it is said that the results do not justify the extra expenditure for operation, and that many of the plows have been discarded. This region affords an excellent opportunity for the introduction of good American plows.

The principal crops are wheat, soya beans, barley, kaoliang, and corn. Kaoliang is used locally for feed, and corn is also consumed in the vicinity of Sansing. All the millet grown in the neighborhood is consumed locally and more is imported. The 1911 crops failed on account of floods, and as a result the exportation of grain of all kinds was prohibited.

OPPORTUNITIES IN THE AMUR RIVER DISTRICT.

The Amur River forms the natural boundary between Chinese and Russian territory from the point where the Ussuri River flows into the Amur up to the point where the Shilka and Argun Rivers join to form the Amur. Almost without exception the land on the Chinese side of the river is better adapted for agricultural purposes than the land on the Russian side. Nevertheless there has been no colonization of the Chinese side, and from the mouth of the Sungari River up to Aigun the district is almost uninhabited and uncultivated. The shipping facilities for the entire region are excellent for six months of the year, and with the exception of the gorge through the Hingan Mountains, which extends for a distance of 90 miles, almost all the Chinese bank of the river could be farmed with great profit. The harvest could be transported in a few days to a market where high prices are paid. The gross total imports of the Aigun customs in 1911, which include Taheiho, amounted to $1,641,556 and the gross exports of local origin amounted to $50,187.

A QUESTION FOR THE POWERS

From The China Press.

The Government of Peking has a problem before it to-day of greater magnitude than anything which has arisen since the revolution brought about the establishment of the Republic. Indeed, not in years has China been confronted with a question of such vital importance to the welfare of the nation, to its continued existence, as that brought to the fore by the action of Russia in depriving China of some hundreds of thousands of square miles of territory known as Outer Mongolia. To be sure Russia has not annexed Mongolia. It simply has recognized the independence of that region. But it makes no difference whether Russia assumes actual sovereignty or not as China loses this great dependency in any case. Furthermore, judging by the brief synopsis of the convention between Russia and the Mongolians, Russia doesn't need formally to annex the country. She gains all the benefits of actual ownership and lays a firm foundation for future action.

It is a matter of transcendental importance and concerns not only China but all the rest of the world, or at least those nations which are still interested in the matter of China's "territorial integrity and administrative entity." It may be true that China has never done much for Mongolia, nor Mongolia for China, yet nothing has so far happened, except China's failure to respond to Russia's oft-repeated demands for certain steps in Mongolia, to justify this ruthless severance of a great outlying section of the nation from the main body politic. It is an unwarranted action not justified by treaty rights and still less by any law of humanity or any deftly-phrased theory about the "march of civilization." Poor China was putting her house in order as rapidly as possible and while she did not attend to this matter of Mongolia with all the speed the Russian Government required there was still a chance that things might have been arranged. With Russia's constant demands pouring in upon her and with her internal affairs in a fearfully choatic state it was but natural that China should resort to procrastination, the only weapon she had at hand to combat the aggressor from the North and one which, unfortunately, she has always used with careless freedom. However, failure to meet Russia's demands, the justice of which has always been open to serious doubt, certainly can not with decency be made to serve as an excuse for the drastic action which Russia has taken.

Russia has declared, according to the news despatches, that "when China accepts the principles of the convention (between Russia and Mongolia) Russia will have no ground to hinder China arranging terms with Mongolia for the recognition of Chinese Sovereignty." It is hollow mockery! China is offered a chance of regaining "sovereignty," which she should really still retain. Furthermore, it will be "sovereignty" of a wondrous sort. The Russo-Mongolian convention provides that there shall be no Chinese troops in Mongolia, that Mongolia shall have an army of her own (for what purpose other than to fight the Chinese hardly can be imagined) that China shall not colonize and that Russia's consent must be obtained for any treaty between the Mongolians and China. What, then, with these provisions which China must recognize, will there be left of the thing called sovereignty? Nothing whatever, for China will be utterly unable to exercise the very fundamentals of sovereignty. China loses again, and that is all there is to it. China's losses are China's losses; the gains for the Mongolians are Russia's gains which, in time, will be developed, no doubt, to a high degree. And it is mighty doubtful if the Mongolians will gain by this shifting of masters. This approach to independence may be flattering but wherein it will be beneficial is difficult to see. It is quite impossible to think of any other Asiatics who have profitted by contact or relations with the ever-aggressive Russian.

There is in this matter, however, something greater and more important than the loss of Mongolia. It concerns the ultimate aim of the Russians. The catastrophe in Mongolia brings Russia some hundreds of miles closer to the province of Chinli, to the Gulf that bears that name and to Peking. The railway from Kiatka to Urga or that from Moscow to Peking can now be built whether China says yes or no and Russia is within easy striking distance of the goal she has long desired—an ice-free seaport. It will doubtless take years but in these matters years are nothing. The unalterable fact is that within these last few days a nation known to be aggressive in all its tendencies, eager for the expansion of its already enormous territories, has taken a great step toward bringing her sphere of influence down to the very borders of China proper. If Mongolia were worth nothing to China intrinsically the value of the dependency as a buffer-state is enormous.

China is not the only nation which can ill-afford Russian expansion to China proper, nor is she the only nation whom this movement concerns. All those nations which have pledged themselves to the territorial integrity of China and there is none that has not, not only once but many times, have a direct interest in the matter which should now be voiced. The integrity of China is at stake and so also is the principle of the open door. It is well known that where spheres of influence prevail the theory of the open door is effaced.

As we pointed out some time ago there is not a great deal that China can do in the matter. She has not the military strength to force Russia to renounce the action taken and can only voice her protests. But it would be good to know if the other great Powers countenance this aggressive step and the Government in Peking should ask all of them whether the time-honored and much talked-of principles have been abandoned.

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