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VOL. XIV. February NUMBER I

PUBLISHED MONTHLY

Shanghai Yokohama

Hongkong Kobe

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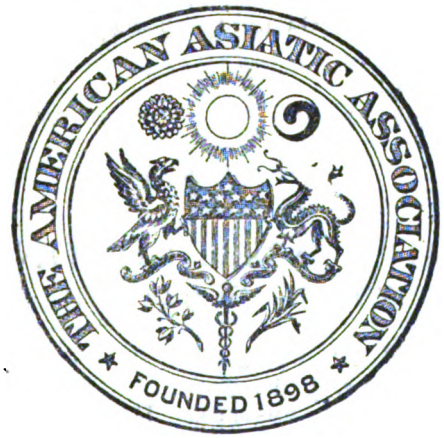

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1914

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Journal of The American Asiatic Association

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CONTENTS.

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JOHN FOORD, Publisher,
78 Beekman Street,
New York City.

On the 19th of March last President Wilson placed himself on record as being opposed to any renewal of the request of the last administration that the American group of bankers should join with the other International groups in lending money to the Chinese Government. At the same time he said that the Government of the United States was earnestly desirous of promoting the most extended and intimate trade relationship between this country and the Chinese Republic. He added that the present Administration would urge and support the legislative measures necessary to give American merchants, manufacturers, contractors, and engineers, the banking and other facilities which they now lack, and without which they are at a serious disadvantage as compared with their industrial and commercial rivals. Inquiries were made in Washington to discover if possible, how far the Administration was prepared to give its backing to American enterprise in serious co-operation with the Chinese people in the development of the unrivalled resources of their country, in which the President has expressed his belief that the American people desired a very generous participation. The prospect of a favorable response seemed the more hopeful, inasmuch as it was part of the White House statement of March 19, that "the Government of the United States is not only willing but earnestly desirous, of aiding the great Chinese people in every way that is consistent with their untrammeled development and its own immemorial principles."

As a result of these inquiries, it was found that the action of the Administration had been based on a precedent established when the American-China Development Company had asked the State Department to "note" its contract for the building of the Hankow-Canton Railway as a binding engagement upon the Chinese Government. The ground for refusing this request was, briefly, that while the Government of the United States was always ready to enforce the just rights of its citizens abroad, it had always declined to be the guarantor of their contracts with Foreign Governments. But it appeared from the action of the Administration in regard to the finances of Nicaragua, and their expressed readiness to help a satisfactory government in Mexico to raise a foreign loan, that the President and Secretary of State were disposed to give a fairly liberal construction to the amount of support which this government might lend to the enterprise of their citizens in foreign countries. Hence, it was stated

in these columns, last November, that the prospect was not at all hopeless that some working formula might be reached calculated to give a new impetus to American enterprise in China, and to enable American bankers to enter with confidence into the competition for industrial loans, if not also to bid for a share in future lendings to the Chinese government for purposes of currency reform and administrative re-organization.

Hence, when it came to be a question of selecting a guest of honor for the Annual Dinner of the Association, it was thought well to invite the Secretary of State, in the hope that he might make plain some aspects of the question that were not thoroughly understood. In waiting on the Secretary of State in Washington, the President and Secretary of the Association tried to impress on him that for the furtherance of the financial and commercial interests of the United States in China, it was highly desirable that some efforts should be made to counteract the depressing influence of President Wilson's declaration of last March. They intimated their belief that a broader meaning had been read into this declaration than its terms warranted, and that its depressing effect had been accentuated by the assumption that it meant a great deal more than was really intended. It was hoped that Secretary Bryan would give official sanction to this opinion, and that the occasion might be utilized for making a comprehensive and reassuring statement in regard to the general policy of the Administration toward the International problems of Eastern Asia.

How far this expectation has been justified, may be a matter of opinion. But, in reading the very guarded remarks of the Secretary of State in regard to the point in controversy, it is well to remember that he was supplied in advance with the address delivered at the dinner by President Straight, which will be admitted to be a sufficiently unequivocal statement of the needs of American trade in the Far East. The kernel of the case as presented by Mr. Straight will be found in the following sentences: "We cannot hope to share in railway construction in China; we cannot hope that our manufacturers may install government arsenals, electric light works, water works and other public utilities, or that our engineers can contract for harbor works and conservancy schemes, until American bankers can be found willing to purchase the bonds that China must issue to secure funds to finance these operations. Reputable American bankers cannot afford to purchase Chinese bonds unless their ability to sell them is reasonably certain, and the American investor is not willing to buy Chinese bonds unless he believes that the American Government will protect him by all possible diplomatic means in case the Chinese Government, through difficulties of its own, should fail for a time to meet its obligations—obligations not to the bankers who underwrite a bond issue, but to the investors who depend for their incomes upon the regular returns from these securities."

With this and a good deal more to the same effect before him, the Secretary of State takes no exception to Mr. Straight's view of the financial aspects of our relations with China; in fact, he regards the emphasizing of these as "both natural and proper." Neither does he underestimate the importance of such trade relations as are present to the minds of Americans in China and he commends Mr. Straight's words to those whose attention has been or will be turned to the subject. In short, the Secretary of State shows a certain openness of mind in regard to a question of acknowledged delicacy and difficulty, and, without at all intimating whether too much was made of the White House statement of last March, he clearly intimates it to be the policy of the Administration that the interests of the American citizen will be amply protected wherever he goes. In saying this, the Secretary remarked that he was merely repeating what the President himself had said, and he insisted that it could not be said any stronger. He merely added the caution that while American interests would be protected everywhere, Americans going abroad could not do a better thing for the benefit of American trade than to carry with them the high ideals that obtain in that trade at home. Briefly, Secretary Bryan's address will be found to be an open invitation to those interested in promoting American enterprise in China, frankly to invite the countenance and support of their government for all legitimate effort to bring about in the President's own words "the most extended and intimate trade relationship between this country and the Chinese Republic."

The Hon. William Calhoun, with characteristic lucidity and force, showed in his speech, of which a full report will be found elsewhere, the conditions under which our financial and commercial enterprise can make headway in China. Here, as Mr. Calhoun points out, are a people who in all the affairs that belong to their old life are very efficient but when it comes to newer affairs, they do not have the experience, the education or training to make them efficient. Therefore they do not command credit to the extent that more advanced nations do. In addition, they have no well defined laws, no courts above the dignity of a police magistrate, and the foreigner who invests money in China has no protection, except the diplomatic support of his Government. Mr. Calhoun energetically disclaimed the idea that Governments should guarantee contracts, or become a mere collecting agency, but their nationals who seek to establish trade relations with backward countries must, he insisted, have some support. There will be general agreement in Mr. Calhoun's conclusions that the real theory is that bankers, merchants, governments, and all nations should co-operate and work together; that it is impossible for us to wrap the mantle of exclusion around us and refuse to take our share in the responsibilities and privileges of the world, and that while keeping true to the ideals of which they have never lost sight, Americans should participate to the full in the world-wide competition for trade which is nowhere more intense than it is today in China.

Exports of Domestic Cotton Cloths, Mineral Oils, and Wheat Flour from the United States to China and Hongkong, during the eleven months, ending Nov. 30, 1912 and 1913.

EXPORTS TO CHINA.

Months.	Cotton Cloths. Yards.		Mineral Oils (illuminating). Gallons.		Wheat Flour. Barrels.	
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
November	4,465,586	312,753	4,610,300	267,220	1,626	6,591
Total	65,626,456	$4,334,777	53,843,449	$3,725,811	482,145	$1,894,004
1913.						
January	7,096,890	$481,040	2,988,096	$134,464	11,264	$44,611
February	7,005,113	489,324	3,385,530	293,367	35,988	139,183
March	8,576,182	561,677	7,817,080	442,421	47,313	178,385
April	10,679,063	743,675	7,110,600	642,584	19,450	76,933
May	14,491,282	1,022,369	13,645,100	955,947	240	971
June	11,866,362	835,725	13,914,180	1,178,370	100	400
July	13,861,576	947,287	7,367,800	400,559	8	48
August	5,839,825	398,458	2,029,963	101,498	3,128	12,545
September	12,196,195	815,514	7,188,242	388,354	13,763	53,191
October	8,478,971	606,864	5,586,934	403,697	36,881	150,509
November	6,030,732	414,584	11,169,900	763,814	22,163	80,728
Total	106,052,191	$7,316,517	82,203,425	$5,705,075	190,298	$737,504

EXPORTS TO HONGKONG.

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
November	60,138	9,400	600,000	52,325	101,682	401,414
Total	1,083,345	$159,159	5,853,820	$416,503	1,216,955	$4,790,402
1913						
January	636,832	$43,454	1,425,810	$151,888	60,862	$228,941
February	163,478	25,420	.....	.....	102,121	410,463
March	196,668	29,815	.....	.....	129,461	492,019
April	211,034	33,938	1,195,000	117,707	120,249	478,075
May	161,310	26,267	2,311,000	212,612	160,755	642,322
June	109,841	17,046	2,235,000	205,620	76,636	308,268
July	101,998	16,568	3,659,160	258,103	143,689	572,237
August	155,718	20,489	.....	.....	49,897	202,209
September	109,192	16,476	487,143	45,342	27,423	105,366
October	132,835	20,351	2,755,658	161,053	157,358	617,471
November	47,646	6,924	950,000	89,300	174,918	699,052
Total	2,026,552	$256,748	15,018,771	$1,241,625	1,203,369	$4,756,423

DEPARTMENT OF COMMERCE,

WASHINGTON, D. C., January 19, 1914.

Bureau of Foreign and Domestic Commerce.

Imports of Tea and Silk into the United States for the eleven months, ending November 30, 1911, 1912 and 1913.

	1911.		1912.		1913.	
TEA.						
Imported from	Pounds.	Dollars.	Pounds.	Dollars.	Pounds.	Dollars
United Kingdom	11,336,011	3,039,576	9,882,507	2,952,472	11,934,582	3,448,909
Canada	2,675,579	694,160	2,599,980	752,433	2,734,830	796,167
China	15,092,897	1,761,208	24,585,670	3,398,712	17,393,060	2,394,109
East Indies	10,510,344	1,758,815	11,933,123	1,960,390	8,539,713	1,433,869
Japan	49,463,661	8,664,277	41,028,247	7,360,805	39,498,311	6,764,582
Other countries	1,035,628	175,990	852,664	166,066	865,662	167,804
Total	90,114,120	16,094,026	90,882,191	16,590,878	80,966,158	15,005,440
SILK.						
RAW, OR AS REELED FROM THE COCOON.						
Imported from	Pounds.	Dollars.	Pounds.	Dollars.	Pounds.	Dollars
France	201,623	695,707	84,853	298,157	71,947	187,058
Italy	1,782,265	6,851,379	2,313,852	8,441,687	2,250,059	8,815,796
China	4,630,833	11,309,603	4,475,601	10,968,446	5,537,552	13,886,714
Japan	12,179,884	41,361,754	15,158,833	49,140,840	16,700,108	54,713,465
Other countries	189,313	686,400	145,437	476,877	275,321	999,222
Total	18,983,918	60,904,843	22,178,576	69,326,007	24,834,987	78,602,255

THE ASIATIC INSTITUTE

The Asiatic Institute organized last year, is now in a position to invite the co-operation of its clientele. Its work is under way, and its membership list will be opened shortly. The special publications of the Institute will be commenced this month.

An immense field lies open for the Asiatic Institute, with work vital to all countries of the Pacific, and to civilization generally. With this work come problems which only those of both civilizations, and those who understand, can solve. The final meeting of the two civilizations in the Pacific, developed by the perfecting of communications and the bringing of Asiatic nations to the world level, raises questions hitherto unknown to mankind.

One leading question is that of the sectional differences and conflicts of opinion in our own country as to Asiatics; another, our insular possessions; still another, foreign trade and government encouragement of it, together with help for sea communications to put us in touch with peoples, possessions, and world-wide benefits. The revolutionary condition of our relations with Eastern Asia, and the internal revolutionary conditions there, press upon us the necessity of bringing order and understanding to our own minds. The crumbling of ideas respecting Asia that has begun—due to the rapid rise of Pacific affairs—involves all the ins and outs of readjustment. Because of their infirm adjustment, and in spite of all benevolent and uplift work, the evils of the two civilizations are working against the interests of both. The Asiatic Institute is a student of these conditions and of all utilitarian and ethical effort dealing with them. Its aims oblige it to keep abreast of them.

The methods of the Asiatic Institute are of a character similar to those of other educational organizations. It will keep in local touch with its various fields. Frederick McCormick, Secretary of the Institute, spent half the year just ended in the field in California, Hawaii, Japan (and Korea), and China, following up his wider preliminary surveys for it made 1911-1912. In his report Mr. McCormick finds that the organizing of the Institute has aroused wide interest and wide curiosity. The foreign and native press of Asia has published extensive accounts of it pointing out the new and absorbing tasks provided for the organization by the nature of the field and its peculiarity to the organization, as well as by the dissociated, unrelated work of Americans and others of the Pacific Basin hitherto; and the necessity of such an organization and clearinghouse as the Institute. In addition to the press, the wide clientele to which the Institute has appealed confirms the wisdom of the organization. Judging by the large number of thinkers in Eastern Asia alone, working with knowledge and sincerity on the ever-increasing questions of the Pacific, the usefulness of the Institute is established.

On account, too, of the importance of the Asiatic question in the South Pacific Ocean, as well as kindred reasons, the Institute has excited interest in Australia and New Zealand, where, also, the press has published extensive comments and discussions. Leading men there have placed themselves in communication with the organization. The co-operation of officials, educators, men of letters, and students of both civilizations generally, in the aims of the Institute, has been secured.

During his trip, Mr. McCormick acquired numerous materials for carrying forward the work of the Institute in the United States. In Peking President Yuan Shih-k'ai sent him the large Chinese Republic flag, and the United States flag, used on the occasion of the official recognition of the Chinese Republic by the United States Government. President Yuan Shih-k'ai also sent a signed portrait of himself taken on that occasion.

William Woodville Rockhill, our foremost Asiatic scholar, now engaged on a mission to the Asiatic field, is further extending the work of the Institute. Mr. Rockhill, accompanied by his wife, has traversed central Asia and has reached Outer Mongolia. In his latest letter, written from Verkne Udinsk, he writes of his trip to Urga, and says:

"We got back here day before yesterday (January 4, 1914) . . . I have had various excellent opportunities of studying the Mongolian question. . . . We leave this morning for Harbin where I expect to remain a few days. We have been nearly exactly a month on this Mongol trip and it was worth the trouble and excessive rough travel we had to go through. The thermometer has never risen above -15° Fahrenheit and frequently been at -30°, and -69°! Traveling in a *tarantass* and sleeping in smoky Mongol *yurts* at such a temperature—if it merits the name—is no fun, but my wife bore it cheerfully, though she says she would not do it again for the whole of Mongolia—and she's right."

This letter forcibly expresses the interest in the Asiatic Institute and the quality of enthusiasm which its men are bringing into its work.

FIFTEENTH ANNUAL DINNER OF THE ASSOCIATION

The Fifteenth Annual Dinner of the Association was given at Delmonico's, Fifth Avenue and Forty-fourth Street, New York, on Monday, January 26th, at 7 P.M.

The Honorable The Secretary of State was the guest of honor of the occasion.

The Chair was occupied by Mr. Willard Straight, President of the Association.

At the Speakers' table were seated the following:

Pres. Willard Straight,
Hon. The Secretary of State,
Chinese Chargé d'Affaires Yung Kwei,
Hon. Seth Low,
Hon. William J. Calhoun,
Professor M. Anesaki,
Captain Gleaves,
Major-Gen. T. H. Barry,
Consul-Gen. of China Y. Y. Yung,
Consul-Gen. of Japan K. Iijima,
William A. Marble,
Hon. Lloyd C. Griscom,
Hon. Fleming D. Cheshire,
Rev. G. A. Johnston Ross,
S. D. Webb,
W. P. Wilson,
Dr. T. Iyinaga,
Captain Woodward.

The occupants of the other tables were as follows:

TABLE A.

George Dodwell,
Paul L. Phelan,
Oliver C. Macy,
T. Ridgway Macy,
Irving K. Hall,
Alfred C. Phelan,
Thomas A. Phelan,
Henry A. Haines.

TABLE B.

Waldo H. Marshall,
Charles M. Muchnic,
W. E. Ogilvie,
T. Chang Kwan,
Carl S. Wagner,
Konoluke Seko,
Dr. J. Takamine.

TABLE C.

Eugene P. Thomas,
James A. Farrell,
J. Robertson Dunn,
John Hughes,
Harold L. Hughes,
Henry L. Jones,
Arthur R. Lewis,
August F. Mack.

TABLE D.

Frank Adams,
Willeby T. Corbett,
John J. Farrell,
Carroll O. Holmes,
John H. McAlarney,
Thomas N. Molanphy,
Joseph B. Murray,
William H. Stratton.

TABLE E.

T. Ashley Sparks,
R. H. Blake,
L. R. Williams,
R. H. Goodwin,
W. J. Sparks,
W. A. Burns,
P. H. Bailey.

TABLE F.

Harris R. Childs,
Lewis Cruger Hasell,
S. D. Brewster,
J. Harper Poor,
Eustis L. Hopkins,
Albert Cordes,
John Foord.

TABLE G.

James Donald,
W. E. Bemis,
H. L. Pratt,
R. C. Veit,
C. F. Meyer,
W. R. King,
H. A. McGee,
C. M. Higgins,
F. T. Gause,
C. E. Stubbe.

TABLE H.

George F. Baker, Jr.
F. H. McKnight,
Frederick R. Swift,
George Marvin,
Philip Patchin,
Charles H. Strong,
F. A. Carl,
Jerome D. Greene.

TABLE J.

Samuel McRoberts,
Hon. Herbert Parsons,
Martin Egan,
Hon. William Phillips,
Hon. John Gardner Coolidge,
J. K. Ohl,
Paul M. Warburg,
Frederick McCormick,
Ogden Reid.

TABLE K.

Robert Christie,
George M. Dunlop,
G. Franklin Fisher,
S. C. Mead,
Herbert St. J. Webb,
J. Osgood Carleton,
Howard Ayres,
Herbert M. Lloyd,
Charles N. Ashley,
Leonard S. Webb.

TABLE L.

D. R. Aldridge,
George L. Hooley,
Allan Macfarlan,
J. D. Dunlop,
Thomas N. Myrick,
William E. Peck,
T. J. Ryan,
William Baxter.

TABLE M.

J. S. Alexander,
James Brown,
William T. Taylor,
S. L. Selden,
Bryce Metcalf,
C. D. Palmer,
Gen. T. H. Hubbard,
H. T. S. Green.

TABLE N.

Francis H. Page,
Frederick E. Haight,
Charles Triller,
Murray W. Ferris,
James A. Smith,
Donald L. Lee,
George Quackenbush,
C. M. Brooks,
Percy S. Mallett,
S. E. Buchanan.

TABLE O.

John Bottomley,
G. A. Harris,
K. Mikami,
H. Tsutsmi,
W. M. Cosgrove,
Fred Meyers,
William Hicks,
Edward L. Young.

TABLE P.

William H. Stevens,
James R. Morse,
Stephen Baker,
Bartlett G. Yung,
J. B. Martindale,
Howard C. Smith,
Lewis L. Clarke,
Thomas A. Eddy,
F. I. Blake,
P. H. Jennings,
E. M. Sutliff,
A. G. Mills.

TABLE Q.

Alexander M. Stewart,
Richard A. Strong,
F. K. Rupprecht,
Edward Lovering,
Benjamin D. Riegel,
John R. DeWitt,
Edward W. Sparks,
E. P Cronkhite.

TABLE R.

William G. Broadway,
Edward P. Lea,
Stanley M. Howe,
Minton Cronkhite,
Fisher Howe,
Major John D. Kilpatrick,
R. A. Watson.

TABLE S.

J. W. T. Nichols,
Albert Straus,
George Nichols,
Henry A. Stickney,
Douglas C. Despard,
William D. Sawyer,
M. E. Ingalls, Jr.
Thomas W. Slocum.

TABLE T.

Richard E. Forrest,
David Dows,
Hunter Marston,
P. K. Condict,
Gerard Swope,
Alba B. Johnson,
Charles H. Sherrill,
J. Rosenfeld,
E. H. Erlanger.

TABLE U.

Harold C. Whitman,
Walter M. Mote,
W. H. Robinson,
William S. Brown,
Louis L. Seaman,
Herbert Appleton,
Douglas F. Cox,
John C. Ferguson.

TABLE V.

Arthur O. Probst,
James C. Hoe,
Saul F. Dribben,
C. M. Guggenheimer,
Frank Skidmore,
William T. Westcote,
Milton G. Psaki,
Edward Tomes,
F. W. Walker.

TABLE W.

E. P. Smith,
J. W. Dorsey,
Mr. Smith's Guest.
Arnold Kahl,
T. Ellett Hodgskin,
Rudolph Scherer,
George Gray Ward,
George Clapperton,
Charles A. Conant.

TABLE X.

Prof. J. W. Jenks,
Clayton Rockhill,
Gilbert Colgate,
Eugene C. Worden,
G. Vintschger,
Henry Towne,
Harold A. Hatch,
Robert Mains,
L. S. Palen,
E. G. Adams.

TABLE Y.

R. E. Saunders,
William H. Smith.
F. W. Lotz,
Otto H. Hinck,
Adolph E. Norden,
George H. Hutzler,
George H. Eypper,
Capt. S. M. Milliken,
J. H. Baker, Jr.
A. W. Fiedler.

TABLE Z.

G. G. Allen,
N. H. Busey, Jr.
J. H. Ruffin,
Mr. Allen's Guest,
Thomas T. Read,
Joseph T. Lilly,
John B. O'Reilly,
H. B. West.

TABLE AA.

William Boyd,
William H. Tweddell,
A. B. Pouch,
W. H. Pouch,
F. C. Schultze,
W. J. Marsden,
C. Howard Metz,
Spencer Turner.

TABLE BB.

George H. Sampson,
James O. Winston,
Jules Breuchaud,
Charles H. Locher,
C. A. Green,
W. E. Winchester,
F. L. Keen,
Patrick Gallagher.

Letters of regret were received from:

His Excellency Viscount Chinda, Ambassador of Japan
The Siamese Minister
The Governor of the State of New York
The Mayor of the City of New York
Senator A. O. Bacon, of Georgia
Representative Henry D. Flood, of Virginia
Hon. W. Cameron Forbes
Hon. David Dudley Field Malone, Collector of the Port.

The order of speaking was as follows:

The Divine blessing was invoked by the Rev. G. A. Johnston Ross.

In the course of the Dinner, toasts were proposed and drunk to the health of:

The President of the United States
His Imperial Highness the Emperor of Japan
The President of the Republic of China.

MENU

CHABLIS — Cotuit Oysters Mignonette

SOUP

SHERRY, PEMARTIN — Clear Green Turtle

SIDE DISHES

Celery Salted Nuts Olives

FISH

Fillets of Sole, Narragansett
Potatoes persillade Parisienne

REMOVE

CHAMPAGNE, MUMM'S SELECTED BRÜT 1900 — Saddle of Canada Mutton
Brussels Sprouts with Chestnuts

ENTRÉE

Asparagus Hollandaise Sauce

Maraschino Sherbet

ROAST

CHÂTEAU PERGANSON — Breast of Guinea Hen in Casserole with Bread Sauce

Chiffonade Salad

DESSERT

Biscuit Orientale

APOLLINARIS — Fancy Cakes

LIQUEURS — Coffee

Monday, January 26th, 1914
DELMONICO'S

THE ORDER OF SPEAKING.

Speech of MR. WILLARD STRAIGHT, PRESIDENT OF THE ASSOCIATION.

Mr. Secretary, M. le Chargé and Gentlemen, on behalf of the American-Asiatic Association, I bid you welcome.

To you, Dr. Anesaki, and to your fellow countrymen, on behalf of this Association, I wish to extend the heartfelt sympathy we feel for you in the face of the great disaster that has befallen your countrymen, and to assure you that we share your grief at the terrible losses you have sustained.

We are gathered here to-night, gentlemen, to do you honor. We hope you will honor us with your confidence, and frankly discuss some at least of those qualities which are of mutual interest, as well as the problems whose successful solution must depend very largely upon our common understanding and our continued co-operation.

No dinner of this Association has ever been held, I imagine, without some reference to William A. Seward's prophetic words regarding our future on the Pacific. The Pacific Era which he foresaw is no longer a dream; this day has dawned; it extends its promise and imposes its responsibilities, and this annual dinner of the American-Asiatic Association is therefore more significant perhaps than any that has preceded it.

Within a few months, the Panama Canal will be opened, a great highway for the trade of the world. (Applause.) Has it occurred to you that we in the United States while conscious certainly of the magnitude of the task now nearing completion, may have failed to grasp the full import of its influence on the development of international commerce, and have perhaps neglected the very necessary preparations for realizing opportunities which we have created and which our foreign friends have for some years eagerly anticipated.

The past year, moreover, has witnessed one of the most remarkable achievements in our political history. President Wilson, unmoved by criticism and undeterred by opposition, between March and December, has secured the passage, first, of the Tariff, and second, of the Currency Bill. Whether or not we be entirely in sympathy with the measures now enacted makes little difference; we cannot, no matter what our political creed, withhold an admiration bordering almost upon wonder for the force and singleness of purpose of our Chief Executive, who, with the loyal and active assistance of the Premier of his Cabinet, has wrought a legislative miracle by so nearly squaring promise and performance. (Loud Applause.)

The opening of the Panama Canal, by removing geographical barriers, must stimulate foreign commerce. The Currency Bill just passed permits the establishment of branches of American banking institutions abroad, and should free vast sums for use in an international discount market and for the purchase of desirable foreign securities. Thus, with added transportation facilities and with opportunity for the extension of both banking and investment, we are in a better position than at any time in our history aggressively to undertake the development of our export trade. (Cheers.)

Not only this, but the Tariff Bill, facilitating as it does the importation of foreign goods, imposes upon our manufacturers the necessity of carrying the war into the enemies' camp and competing abroad with those who will now invade our own market. (Applause.) The era of discovery, the era of conquest, are past. The world's boundary disputes are rapidly being settled. Opportunities for national as well as individual exploitation are everywhere curtailed, and nations like individuals must earn their living. The era upon which we are entering is not only that of the Pacific Ocean, it must be one of Pacific development as well. The barriers of industrial exclusiveness are fast disappearing. World-peace, of which our honored guest is such an active and sincere advocate, is becoming a practical as well as a highly desirable possibility. It is as essential to the development of international trade as internal tranquility is to national progress. It is doubtless true that we may not for many years to come be able to substitute the reaping hook for the sabre and the sewing machine for the gatling gun, but, some recent events to the contrary notwithstanding, it is impossible to deny that the armies of to-day are becoming factors for peace, great police forces, imposing perhaps a heavy financial burden upon the peoples which support them, but at the same time guaranteeing them against aggression, and bringing to them through compulsory military service a conception of discipline and a feeling of nationalism which would otherwise be unobtainable.

The true armies of world-peace to-day, however, are the merchants engaged in international trade. (Applause.) In this army, the Secretary of State is a Chief of Staff, and the Ambassador a Corps Commander. (Applause.) We of this Association are the rank and file. We are always in active service in the world-wide struggle for daily bread. We are constantly fighting our business war, and we are the points of contact with the real living organisms of foreign peoples. Religion has inspired great world movements; education has brought mutual understanding to different peoples. I do not wish to appear even to minimize their value or to belittle their influence both past and present; but international harmony, like connubial bliss, depends not only upon reciprocal appreciation of high principles and recognition of common ideals, but upon the satisfactory solution and adjustment of the problems of every day life. In the family, it is the little things that count, and between nations mutual confidence and esteem is founded most permanently and truly upon fair and mutually profitable diplomatic and business dealings. The greater our foreign commerce, the better will be our relations with foreign peoples and the less chance there will be for trouble. (Applause.)

At a time when China's negotiations with foreign financiers were much in the public eye, I noticed reference to a newspaper headline entitled, "Ship pursued through Indian Ocean by Chinese Ghost." The editorial comment was that, "the Ghost probably wanted a loan." (Laughter.) I have no desire to call forth spirits of any kind; least of all the Ghost of a Chinese Loan. The withdrawal of the American Banking Group from China is a closed incident, but the question of our diminishing China trade is to the members of this Association a very pressing one and of the most vital importance. This is the ghost that bothers us; it is, if I may say so, the skeleton not in our closet but in our counting house. (Applause.) I cannot refrain, therefore, from stating that many merchants, members of the American Asiatic Association, while not directly affected by the dithdrawal of the American Banking Group, have interpreted the announcement made by President Wilson in March last to mean that the American Government would not extend to our bankers the support which those familiar with trade conditions in China consider necessary. They are to-day frankly discouraged at our prospects for future

business, for in China, more than in almost any other country perhaps, trade follows the loan.

I personally feel assured that this impression referred to is not justified, for President Wilson even in the announcement mentioned specifically expressed his determination to aid the extension of our American trade abroad. He said:

"The present administration will urge and support the legislative measures necessary to give American merchants, manufacturers, contractors and engineers the banking and other financial facilities which they now lack and without which they are at a serious disadvantage as compared with their industrial and commercial rivals. This is its duty; this is the main material interest of its citizens in the development of China. Our interests are those of the Open Door—a door of friendship and mutual advantage. This is the only door we care to enter." (Applause.)

China's growing foreign trade promises great returns to those engaged therein. To secure our share, we must depend primarily upon the energy and far sightedness of American merchants and manufacturers, but if they are to take full advantage of these opportunities, they must, as President Wilson has said, be assured adequate banking and other financial facilities. Our merchants now secure the necessary accommodation chiefly through British, Japanese and German banks, as well as the one American bank in the East. The service rendered by these institutions is adequate perhaps for present needs. We cannot rely, however, upon these very good foreign friends of our to push American interests as they do their own. This certainly is not as it should be. Moreover, while our ordinary merchandising may be financed to a greater or less extent by foreign bankers, there is absolutely no chance for American manufacturers to sell their goods to railway or other government or industrial undertakings, which are constructed or operated with foreign money. This after all is but natural. China herself is not in a position to build railroads or herself to finance public improvements. She must secure money from abroad. We cannot hope, therefore, to share in railway construction in China; we cannot hope that our manufacturers may install government arsenals, electric light works, water works and other public utilities, or that our engineers can contract for harbor works and conservancy schemes, until American bankers can be found willing to purchase the bonds that China must issue to secure funds to finance these operations. Reputable American bankers cannot afford to purchase Chinese bonds unless their ability to sell them is reasonably certain, and the American investor is not willing to buy Chinese bonds unless he believes that the American government will protect him by all possible diplomatic means in case the Chinese Government, through difficulties of its own should fail for a time to meet its obligations, obligations not to the bankers who underwrite a bond issue, but to the investors who depend for their income upon a regular return from these securities. (Applause.) Investors do not want bonds if there is any chance that the interest thereon must be collected by war. Such bonds are not good investments, money can be placed much more safely at home. Investors in foreign securities do, however, desire some assurance of the support of their own government. In China it has never been necessary to collect interest by gunboats, and there is little likelihood that it will be necessary in the future, because China for years to come must finance her necessary development by foreign loans. No matter what party may be in power, it must borrow from abroad. It is therefore essential that the present government of China, or any that may succeed it, should pay interest when due in order that it may have continued and ready access to the money markets of the world.

Americans cannot expect nor can they legitimately desire exclusive support for certain individuals, but if the principle of support for merchants, contractors and engineers abroad be enunciated, assistance must be accorded those who already have had the courage and enterprise to engage in foreign trade. If we are to build up our interests abroad, moreover, firms that have not as yet established foreign connections must be encouraged to do so. They must be regarded as national assets, not as special interests, and whatever our differences may be at home, we must all—diplomats and consuls, missionaries and teachers, merchants and bankers—stand together, as Americans; we must assist each other in the work we are doing abroad, be it diplomacy or education or trade, for once we have seen the dock lights die, we become representatives of our country, trustees for its trade and of its reputation. (Applause.) For this reason, governmental support, if given, must be accorded only to those who by their performance will justify the confidence of foreigners in the representations of our government, and the confidence of our own government in them. We must apply eugenics to international trade.

I have ventured to speak at length of certain phases of our trade with China, because the unsettled conditions that still prevail in that country, despite the masterly administration of President Yuan Shih-kai, give to commercial problems a political importance and necessitate a degree of diplomatic attention, which fortunately would be superfluous elsewhere. I have been bold to do so, moreover, because all our guests this evening are, I do not doubt, thoroughly familiar with Chinese conditions and are to-day dealing with some at least of the problems now holding our attention.

The Chair: While we of this Association are interested primarily in trade with the Far East, we are not wholly sordid. We are sensible of the great influence which Asia has exerted on the world's philosophy, science, on its art and its literature. We know that Asia has given birth to the great religions of the world and we would be commercialized indeed and caloused to all the finer sensibilities if our Eastern associations had not brought us an appreciation of what the East has done for man-kind. I have said that we merchants must

claim to be the rank and file of the army of peace. No one will deny that our work is an important one but we must all admit the even broader human importance of fostering an international exchange of ideas.

We are peculiarly fortunate in having with us Dr. Anesaki, of the Imperial University, at Tokyo, one of the prime movers in organizing the Association Concordia, whose aim it is to promote the free discussion of national aspirations and ideals by the intellectual leaders of the world. Dr. Anesaki is this year lecturing at Harvard University and has, as a representative of the Japanese Association Concordia, already brought together in this country a group of representative men who are enthusiastic in support of his idea.

Speech of PROF. M. ANESAKI.

Gentlemen:—

It seems to me almost an irony of fate that I, a foreigner just learning to speak English, have to address you in the presence of the eminent statesman and greatest orator of America—there is no need of mentioning his name; moreover, I dare not do that because it is Oriental decorum not directly to name an illustrious personage. (Applause.)

I referred just now to fate and wish you to permit me to indulge myself in a little reverie. In the course of the world's history nations arose and nations disappeared, and the waves of migration and civilization moved in ancient times to and fro between Europe and Asia. In looking back at these undulating movements, the relations between the East and West seem to be a mystery of fate. Alexander the Great trod the frontiers of India under the hoofs of his steeds, but the Greeks whom he left there were presently converted to Buddhism and paid service to the newly embraced religion with their artistic genius—which was passed on to the Japanese living in the Far East. Rome conquered Western Asia, but the Roman Empire itself yielded at last to the cross of the Son of God who had appeared in Asia. And to-day one might even wonder whether the United States of America would have come to existence if Japan had not existed—what I mean to say is this, unless Columbus had read in Marco Polo of the wealth of Japan he would not have started on his voyage of discovery. Let me mention another contribution of the East to America. Was it not the East that supplied tea in the harbor of Boston which proved to be the signal of your national independence? What shall we say to all these, is it fate or providence? The Asiatics who poured into Europe on horseback and occupied its parts with their spears are now counted as Simon-pure Europeans and enjoy all the privileges of the Caucassian race, while another Asiatic people who remain peacefully as an agricultural folk are sometimes called undesirable aliens. Should we call this fate or providence?

I have spoken much of fate, but I am not a believer in blind fate. We Japanese are often criticised as being fatalists, but nothing is more contrary to the fact. Fate in our Japanese conception is what would be called here moral retribution. I do not intend to give a lecture on the doctrine of Karma, which is Buddhist term for fate; all I wish to say is that our idea in this respect is nothing but the belief in the necessary connection between what is called fate and our own choice and deed. Good seed brings forth good fruit and bad seed bad fruit. The kernel seed of life is moral choice, deed its flower and fate its fruit. In this sense we must be willing to suffer and to submit to fate, if we regard it as a necessary consequence of our own choice; but this same faith gives us the power to resist injustice, even unto death, because to yield to injustice is to scatter broadcast the seeds of evil fate.

But fate or destiny, whether of an individual or of a nation, depends as much upon external circumstances as upon the inner character, and quite as much upon intention as upon effort. Most of the Asiatic peoples lived quite complacently content with themselves and this has reduced time to an inert stagnancy of life, while you the Western peoples have been making progress rapidly by virtue of intense effort. Unlike many others, Japan has fortunately not been knocked prostrate by conquerers and colonizers—by passing out of herisolation and is participating in the world's civilization—thanks to the American fleet which brought a kind-hearted awakening and a message of friendly counsel. In Japan a new era of the Restoration was opened by the solemn oath sworn by the Emperor that knowledge should be sought all over the world and that all measures of government should be based on the righteous way of heaven and earth. The happy consonance between the knocking at the door from outside and the response from within has created a new era in Japan, and she has ever since been faithful to her new destiny. Under the regime of this new civilization Japan is facing countless problems of the greatest earnestness, but most of these are due to the fact that we must proceed in orderly progress and at the same time not renounce or abandon any of our best inheritance. (Applause.)

Japan is often said to be doomed because she is being Westernized and because she is unwilling to admit that the East should remain East. And quite as often the opposite accusation is made and Japan now appears the incarnation of a devil colored Yellow Peril. In the first case we are pitied because we are endeavoring to adopt Western civilization and in the other case we are hated simply because we are Orientals. These views about Japan's present situation are not a barren criticism but an actual force which threatens us with violence. Until our last war with China our Western neighbor hated us and despised us because we seemed to her to be becoming the slaves of the Western "barbarians." This hatred increased in power until China so infringed upon Japan, that she was at last obliged to resist it with force of arms. It was the firm conviction of the whole Japanese nation in the war of 1894-5 that we were fighting in order to awaken China from her stubborn blindness to the world's progress. But curiously enough, no sooner

was the war ended than a picture of the Oriental devil appeared, designed to impress the Western peoples with the dread of the yellow peril. Thus we are threatened on either side and our task is to resist both extremes and to keep steadily to a middle course.

Despite these criticisms passed upon us, despite the threats which we can but hear, despite contradictory advice and warnings, despite the inner difficulty of steering between Scylla and Charybdis, we are firm in our resolution and faithful to the charge laid upon us by our sovereign, that our course should lie midway between East and West and that our destiny is to build a stone firmly into the bridge which binds the two civilizations together.

While reflecting on the mystery of fate, one can look backward and mark the advances already made, and to-day we cannot withhold a smile when we remember various incidents caused by contact of East and West. When tea was imported to England and was becoming a fashion, the innocent beverage encountered opposition. According to one English writer, the use of tea was responsible for the decline of beauty in women and for the loss of stature in men. Another writer, a German critic, accused Klopstock of the disloyalty to his country when he made a pastor's family in one of his novels drink tea, while Goethe was deemed patriotic because his Hermann, the lover of Dorothea, took no tea, but Rhinewine.

You surely smile on these forgotten prejudices, but are there not similar instances of Chauvinism still prevalent to-day? In India the people are quite in earnest in thinking that various calamities of the country are due to the habit of beef eating, and you know what a great influence is being exercised by the Hindoo anti-beef movement. To be quite frank, we Japanese ourselves once had a similar prejudice and thought that horns would grow on the heads of those who ate beef. But we now take beef contenedly without a trace of fear, and moreover, we have invented a new method of cooking beef *a la japanaise;* which I am sure everyone of you will enjoy. My former teacher, a Russian, who is a Professor of Philosophy in my University of Tokio, pays so little heed to Japanese things that he knows only four or five words of Japanese, after residing in Japan over twenty years. You will understand how I am proud to say that *"giu-nabe," beef a la japanaise,* is one of those few words which he knows and the thing which he likes exceedingly. Of course, he takes no interest in Japanese art and music because he is content with his Beethoven and Bach, Boticelli and Böcklin. One day I took him to an art exhibition and called his attention to a picture of the Buddhist goddess of Mercy, the life work of the greatest master of modern Japan. There in front of the picture he was almost charmed to ecstacy, sat down and gazed at the graceful figure and wonderful composition, without uttering a single word for half an hour. When the hall was to be closed and I told him of it, he looked back at me and said, "This is really a great work of art." (Applause.)

I beg your pardon for my digression, but I think, however trifling these incidents may seem, they throw some light upon the grave question of the relation between the East and West. One might say that the East is East and the West West but is not America now our Eastern neighbor and Japan our Western neighbor? After the breaking down of the barriers of the world's oceans by steamers, contacts of nations cannot be cut off. Just a century ago a Japanese prophet of the Open Door policy said, "It is the one and same water that connects London Bridge and Nippon Bridge (in Yedo)." May it now be possible to check the undulation of civilization where the sea tide rises twice every day and where there is exchange of commodities, intercourse of thoughts and ideas inevitably finds its way?

However one nation may differ from others in the situation she takes in the face of this contact, one point perhaps is common to all that each should advance her civilization in concord with the whole world and in keeping her own standpoint. At least we deem this to be our destiny and opportunity. There is a great variety in the problems arising from the contact of nations, economical, commercial, political, educational and many others, but the way of real understanding and deep-rooted concord can perhaps best be established among nations, through the channel of moral ideals and religious faith. What is needed in this respect is the openness of mind and quickness of sympathy which will penetrate the racial barrier and find its satisfaction in the full appreciation of the best effort and highest aspiration of the other nations. (Applause.)

With just this in mind we have organized in Japan a society, the Association Concordia, the chief object of which consists in interpreting the moral and religious ideals of the East and of the West to each other. A sister Association Concordia has been founded in America and we are together asking the cordial co-operation of all those who are mindful of promoting a universal concord among nations. Not uniformity but concord, this is our aim; and what Baron d'Estournelle Constant has expressed concerning this movement may well demand our consideration. He said: *"Avant la guerre l'arbitrage, mais avant l'arbitrage la conciliation et avant la conciliation la concorde."* Are we wrong in counting His Excellency the Secretary of State among those foremost who would help us in this movement? (Applause.)

No doubt I may presume your Asiatic Association has something similar in view. Whatever the present issue may be, however special interest may differ, may we not keep our course true to an end which will fulfill both of our needs at the same time? The common good of the world and the further progress of real civilization can only be promoted by the open-minded concord and the far-reaching co-operation among the leaders of nations. Whatever happens, we must not let drift blind the counteracting streams arising from the contact of the East and West, but we must strive for their solution with firm resolution, with an earnest conviction that destiny needs not be blind, and in an unflinching trust in Providence. (Loud and prolonged applause.)

The Chair: It is impossible, gentlemen, to introduce Mr. Bryan to any American audience and therefore, Mr. Secretary, I have the honor of introducing to you the members of the American Asiatic Association.

Speech by THE HONORABLE THE SECRETARY OF STATE.

Mr. President, Distinguished Guests and Gentlemen:—

In accepting the invitation extended by the American Asiatic Association, I am giving myself a pleasure as well as performing an official duty. My connection with the foreign affairs of the government keep me in touch with the expansion of American Commerce and the extension of American interests throughout the world, and I gladly avail myself of every opportunity to hear these subjects discussed by those who take an interest in them, whether that interest be financial or sentimental. But my coming is not a mere formal discharge of an official duty; I come gladly because I can bear testimony to the deep sympathy the President feels toward all that affects the growth and development of our influence in national and international interests, and I assure you that my sympathy is not less strong than his. (Applause.)

Your President, Mr. Willard Straight, speaking from a wide acquaintance with conditions in the Orient has given us a most instructive address, emphasizing, as is both natural and proper, the commercial aspect of our relations with the countries across the Pacific. I do not under-estimate the importance of these trade relations, and I commend his words to those whose attention has been or will be turned to the subject. I appreciate also the liberality of opinion he has shown in discussing those questions upon which different conclusions may be reached by those dealing with the subject. It helps us all to recognize differences of opinion, where differences exist, and it is important also that we recognize the honesty of those differences. The new administration in withdrawing approval from the Chinese loan did not question the good faith or good intent of those who had seen in it a means of increasing our influence, prestige and commercial power in China. The President believed that a different policy was more consistent with the American position, and that it would in the long run be more advantageous to our commerce. It would not be fair to attribute a falling off in trade, to which reference has been made, to the change in policy, because the new policy has not yet had time to bear fruit, even if political conditions had been entirely favorable. (Applause.)

The interests of the American citizen will be amply protected wherever he goes; and in saying that I say only what the President himself has said, and it cannot be said any stronger. I may say that American interests will be protected everywhere; and when Americans are going abroad they could not do a better thing for the benefit of American trade than to carry with them the high ideals that obtain in that trade at home. But when an American expects this government to back a project no matter how inconsistent that project may be with those high ideals, then I am afraid he will be disappointed not only in the lack of support from the President and this Government as a whole, but in failing to inspire any sympathy for himself among the honest and right-thinking people of this country. When the President insists that the American abroad must give a dollar for every dollar of value received, the President is the friend of the future.

Mr. Straight has called attention to one step already taken which means much for American trade, viz., the authorization of international banks. We have long needed such a law, and I am sure that our foreign trade will be stimulated not only in the Orient but also throughout South America by the new law which permits banks here to establish branches throughout the world. (Applause.)

Mention has also been made of the new tariff law in the promotion of foreign trade. This influence can hardly be appreciated at this time, because its operation has only just begun. In his last speech, delivered just before his tragic death, President McKinley called attention to the necessity for tariff reduction as a means of extending or increasing our exports. It was a prophetic utterance, to which the country has given a well-nigh universal response. We must show ourselves friendly if we would have friends. We must buy if we would sell. The new policy means a larger commerce between our nation and the world, and in this increase the Orient will have her share, and this advantage will be enjoyed not only in general by the public but especially by those merchants and manufacturers now turning their eyes to the Far East. (Applause.)

Another factor must not be overlooked: the President has outlined a third reform whose influence cannot be bounded by national lines. He has declared war upon private monopoly, and this means the investment of capital that has heretofore been frightened away from industrial fields. If the new policy results in a reduction in the size of corporations that have become overgrown, it will mean a larger number of independent and competing enterprises, and this competition will mean a better article at a lower price. It is worth while to inquire whether monopolization has not necessarily resulted in the restriction of exports, for the maintenance of an abnormally high price at home tends to prevent exportation, the manufacturer fearing that a reduction of price abroad might result in the loss of the advantage enjoyed at home. In proportion as industries rest upon their own merits rather than upon legislative favor, just in that proportion will they be strengthened for successful contest with competing industries throughout the world. (Applause.)

The President in his policies thus far announced has laid even a broader foundation for the extension of our trade throughout the Orient. He is cultivating the friendship of the people across the Pacific. He has already spoken a word of hope to the Filipinos. They are not a numerous people and their trade may not seem so large a prize as the trade of Japan and China, but the effect of our nation's Philippine policy will be felt

throughout the Orient. (Applause.) A recognition of the rights of the Filipinos to work out their own destiny will strike a responsive chord wherever the people have feared foreign influence. (Applause.)

The people of China have long regarded the United States as a friend, and the attachment has been strengthened by the prompt recognition by this government of China's political aspirations. Although less than a year has elapsed since the President took oath of office, he has had an opportunity to prove to Japan his respect for her position and achievements and his friendship for her people. (Applause.)

In addition to these specific instances, the President's policy contemplates the formation of an environment which will encourage the growth of all that is good. Man is not a creator in a fundamental sense. The farmer cannot put life into a grain of wheat, but he can give to the grain an environment which it can utilize. So, the government while it cannot create trade, can give to trade an environment in which it can develop, and that it is the duty of our government to do. If we can present to the world an example worthy of imitation, we shall be assisting ourselves while we assist others, for we shall reap a profit out of every nation's advance. If in any way we can stimulate education and bring it nearer to the ideal which contemplates the mental development of every human being, that larger intelligence will be of use to us as well as to the nations in which it is developed. (Applause.) If by our example we can assist any other nations in the improvement of their forms and methods of government, we shall share in the prosperity this better government brings. This government will see that no industrial highwayman robs you. This government stands committed to the doctrine that these United States are entitled to the greatest possible industrial and commercial development. (Applause.)

If by a cultivation of higher standards of morals we can assist any people anywhere to improve their moral standards, we shall not be without our reward. The doctrine of universal brotherhood is not sentimentalism—it is practical philosophy. As it is impossible for an individual to gain permanent advantage by doing injury to his fellows, so it is impossible for a nation to so isolate itself as to profit by another's downfall.

Our nation produces and consumes more than any equal population now living or that ever has lived. Why? Because there is more hope in the heart of the average man in this country than anywhere else on earth, and in so far as this nation can instil hope into the hearts of people anywhere, it will enable them to do a larger work and thus become more valuable to the world both as producer and consumer. (Loud applause.)

Whether we view the world therefore from a purely material standpoint or from the standpoint of religion, we must, if our force of reason is intelligent, reach the same conclusion, viz.: that we only build enduringly when we endeavor to raise the level upon which we all stand. This is the President's purpose in what he has done; it is the purpose of your President, Mr. Straight, and the purpose of every member of this Association; it must be the real purpose of all who take a comprehensive view of our nation's position and responsibility in dealings with the people of the world. (Loud applause.)

A good diplomat is not only representative of his own country—he is the friend, and sometimes the counsellor, of the officials of the government to which he is accredited. During his experience of nearly four years in China, Mr. Calhoun won the personal affection of all who knew him, the admiration and respect of his own fellow-countrymen, and the gratitude and appreciation of China's leading officials. His period of service was a most difficult one. Under his guidance arduous negotiations were successfully consummated and during the period of transition, when the old Empire became the young republic, his counsel was sought both by the Imperial officials and by the younger and successful republican leaders. While his loss is mourned in China we are fortunate in having him here.

Speech of WILLIAM J. CALHOUN.

Mr. President and Gentlemen:—

The hour is getting late and I rise to address you with some hesitation. It is my understanding, however, that this audience is largely composed of American business men. I assume, therefore, that you have a direct interest in everything that affects the commercial life of our country, and it is on one phase of that life that I will assume to speak to-night. I approach the subject with some difficulty because I realize that I am not a trade expert, or even a practical business man. I must classify myself among the theorists, and some querulous person may say, "That is all right, this is the day of theorists." (Applause and laughter.) The practical business man is very much in the background and the least he says, the better it is for him. I don't know, therefore, whether I have any message to bring you that will interest you, or whether I can tell you anything that is particularly new; but I have a theory in which I am somewhat interested, and when I was invited to attend this dinner and told that I would be expected to say something, I could think of no subject that interested me more or that would be more appropriate to the occasion than the one I had in mind, and therefore I will venture to say something upon it.

It is my observation that the average American business man knows very little about trade conditions outside of his own country. This remark is not strictly applicable to a New York audience, because this city is one of the great entry ports of the world, and you have had more or less touch with foreign trade. The remark, however, is applicable, I think, to the country in general. When I say that I mean

no reflection upon the intelligence or the energy of the American business man. I simply mean that he has been so busy with his own affairs and the range of his activity is so limited to his own country that he has had neither the time nor felt the necessity for any special investigation abroad. Even the great army of American tourists who annually go abroad find out very little upon this subject. (Laughter.) They go for a vacation, for rest, for pleasure; they visit noted cities with historical associations, they inspect cathedrals, art galleries, museums, go to health resorts and social centers, and try to see as much as they can in a comparatively short period of time. Necessarily they come back with superficial and sometimes blurred impressions of the countries they visit.

Some four years ago, I was unexpectedly called to the public service at a post located on the other side of the world. There for the first time in my life I came into contact with, and had an opportunity of seeing the operations of the great commercial forces that were moving in the world. I noted with surprise and regret that my country had little or no place in the great development that was going on around and about me. I had heard much about the "Open Door" in China, a declaration in its favor first emanating from the United States. It was received with popular favor at home and abroad, but the result of my observation was to suggest the query, "What good does the Open Door do us if we never use it?" (Laughter and applause.) How are we benefited by it when other nationalities are crowding through the doorway and occupying the field to which it leads? It becomes with us a mere sentiment and abstraction; it has no practical value. And therefore I came back with some earnest convictions about the opportunities that were present and the duty that rested upon the American people in connection therewith. When I came home I found great changes had taken place during my absence. A political revolution had occurred. Old leaders were dismissed and new ones installed. Old and long established policies were abandoned and fresh ones substituted therefor. It is not my purpose to discuss the merits of these changes. I shall only refer to one of them, because it has some bearing on the question I have in mind, and I shall not speak from the standpoint of a party. In my opinion, never before, in the history of this country at least, never in my lifetime, was the spirit of partisanship at such a low ebb as now. That is because most of the old issues which once disturbed and divided the councils of our people have been settled; they have passed into history. We are entering upon a new era; we are confronted with new conditions; new social forces, deep and strong, are at work in our midst. New issues will be evolved therefrom. I interpret the public situation as one of expectancy, of anticipation; the great mass of the people are watching and wondering what is going to happen. It is a time for serious reflection, for patriotic inspiration. Some features of the situation are to me startling, and yet have a certain measure of amusement in them. At the last session of Congress, unparalleled in the history of our country in point of duration at least, great economic conditions were under consideration; important legislation was being enacted, which under ordinary conditions would have excited great debate and developed great leadership on both sides of these questions. But the astonishing spectacle was presented, especially in the lower house—the House of Representatives, that the leader of the opposition (whom I know very well and who is a special friend of mine; I am not criticizing him) seemed to have no other duty than to get up once in a while and raise the question as to whether or not a quorum was present. (Laughter.) The legislative mill stopped, the roll was called, and the speaker solemnly announced that a quorum was present; the leader sat down satisfied, and the great legislative mill went on, crushing and grinding legislation, only to be stopped after a while for another test as to whether a quorum was present. (Laughter.) It simply illustrates practical conditions of the American public opinion at this time. It is my judgment, however, that we are entering upon a new era. So far as I am concerned, I am not much of a stand-patter, and I never have been. I believe that a nation cannot very long stand still; it must either go forward or backward. The only trouble with me, and with many others like me, is to discriminate between the right and the wrong path of reform along which we are to advance. Some reforms are guided by reason and common sense, and lead to great achievements; others are simply inspired by sentimentality, humanitarian though they may be, but the movement is apt to fail because of the jack-o-lanterns of false hopes and false dreams, which lead to swamps of despair and defeat. And so the query in my mind is—along what line does good sense, practical sense, guide and prompt us to follow. Pardon this digression; I only wanted to show my attitude toward the situation.

Before developing the point I have in mind, I crave opportunity to briefly review the history of our country. When this government was organized, its population might be likened to a fringe of humanity extending along the Atlantic Coast. Back of them, just beyond the range of the Allegheny Mountains, was the great territory extending to the Mississippi River, which was not settled, and the greater part of it not even explored. The American people assumed the task of developing the resources of the country committed to their care. They opened wide the gates and invited a great flood of foreign immigration, which spread over the land like the broken waves of the sea. Since that time, our people have been very busy clearing away forests, breaking prairies, uncovering mines, opening up farms, building railroads, cities, towns and villages. We have been a very busy people

and it is no wonder that we paid but little attention to foreign markets. And all this work has been done in a comparatively short period of time; if measured by the years that intervened, it may seem a long time, but when measured by a single life, it is a very short time, as may be illustrated by the following incident:

The Baltimore & Ohio Railroad was the first railway built in this country, and the first rail of that road was laid in 1829 in the City of Baltimore. The event was attended by a great popular demonstration on the part of the people of Baltimore. Now one of the officers and directors of the corporation who was present and who participated in the ceremonies incident to the occasion, was a signer of the Declaration of Independence—Charles Carroll, of Carrollton, Maryland. (Applause.) I once read the first annual report of the president of that Railroad to its stockholders, and he reported the fact that they had constructed about forty miles of railroad to the West, towards Frederick, I think it was. He commented on the fact that the rails were made of wood, the motive power was horses, and he said suggestion had been made that the motive power might be increased by erecting on the trains huge masts and equipping them with sails, like ships at sea. He also commented on the fact that one Peter Cooper in New York was experimenting with a steam engine for railroad transportation. (Laughter.)

Now the point I wish to make is that there are many men now living who were living at the time this railroad construction was inaugurated, for I constantly take up newspapers and read of the death of some citizen born in 1824, 1826, 1829, and so forth. In other words, the great expansion of railroad transportation and the development of territory incident thereto has taken place within the lifetime of many men now living. Therefore it is not strange that our business men have limited their efforts to their own country. (Applause.)

But a new industrial condition was inaugurated by the introduction of machinery. It revolutionized our industrial life; it accelerated production and decreased prices; it attracted capital, and large units of production resulted therefrom. As long as we had the virgin market, a growing, expanding and absorbing market, a great demand was made upon the energies of our people to supply it; but time came when the volume of production increased so rapidly that the supply was greater than the demand. Whenever that condition exists there is reasonably sure to follow a period of excessive competition. Manufacturers and merchants find it necessary to move their accumulated stocks. To do so they cut prices, and a period of reckless and destructive competition is sure to follow. Frequent and successive periods of over-production occurred. An effort was made to remedy the situation or at least an impulse to control it was developed by the organization of large corporate combinations, the purpose of which was to limit production, maintain prices and restrain competition. But these organizations exposed the country to another danger—the menace of monopoly. Public opinion became agitated by this development, and so it is that we had arrived at a period when we were alternating between the destruction incident to unbridled competition and the danger incident to private monopoly. I only speak of this development in order to diagnose the situation concerning our country. The government has for some time past been busy in disrupting these combinations with a view of returning to the old time competitive conditions. Competition is regarded as a panacea for all our industrial ills. I recognize the value of competition, yet it has its limitations. Many are the hearts that are broken; many the human wrecks that have gone drifting down the stream of time into the great sea of oblivion, who were the victims of destructive competition. In such periods it is only the strong and sometimes the unscrupulous who survive—the weaker perish. It may be remarked in passing that the old ideal competitive condition that once existed in this country, wherein small units of production might grow and expand, no longer exists, because conditions have changed. The virgin, growing, expanding and absorbing market no longer is there. I do not mean to say that our country is fully developed. We are said to have one hundred million people now, and before another generation has passed, we may have two hundred million. The consuming power of the country will increase in proportion, but the producing power will keep even pace therewith, and the strain between supply and consumption will still exist and may possibly be more and more intensified as time goes on.

Another thought: The chief part of our exports, in my mind, has been made up of meat products, grain and cotton. It is safe to say they are the basic elements of our exports. We are told that the meat supply of this country is not sufficient to meet the present demand; already they are beginning to import meat from South America. James J. Hill said not long ago that the time was not far distant when we would have to import grain wherewith to feed our people. I know that other nations are busy trying to find cotton fields in other parts of the world. And so we are confronted with a condition wherein our main supports may fall off and materially affect the balance of trade against us.

Another element is introduced into the situation. All this great development to which I have referred has gone on for the most part behind a wall of tariff which protected our industries from foreign competition. The great economic change that has recently taken place has removed that protection.

Some two thousand years ago, the Chinese were very much disturbed by invasions of Mongolians and Manchurians, who pillaged and looted their country. These conditions caused a continuous strain upon the

Chinese to protect their people. It was finally determined to build a great wall along the Northern border line separating China from Mongolia and Manchuria. After long years of patient labor, the wall was constructed, and in the days of bows and arrows and spears and swords, it answered the purpose; it shut out the Mongolians and Manchus, and China was at peace. But, as the story goes, the last Emperor became involved in a revolution, which he was not able to suppress. He made a deal with the Manchus whereby they undertook to assist him in suppressing this revolution. A gate in the wall was opened, and the Manchu army was allowed to march in. They carried out their contract and suppressed the revolution. But for centuries they had been vainly striving to get through the wall into China, and they now found themselves at the point to which their ambition had been so long directed. The land looked good to them; it was flowing with milk and honey. They resolved to stay there. So they marched toward Pekin. The Emperor saw the mistake he had made, and in his mortification and despair he hung himself on the top of Coal Hill, in the "Forbidden City." Thus ended the last distinctly Chinese dynasty. The Manchus remained in the country, and dominated and ruled it for some three hundred years.

Now at the time our so-called tariff reform was made, it was declared from high places that one of its purposes was to permit foreign competition to have a place in this country, so that our manufacturers might feel its force and be stimulated to greater activity. I am not discussing the merits of this proposition, I accept it as an established fact. I am only trying to measure the probable results derived therefrom. We have taken down the tariff wall in a great many places and reduced it in others, and an invasion of the "Manchus" may be expected. I have no fear that they will conquer this country or dominate its trade. I do think, however, that wherever a dollar's worth of foreign goods is sold in this country, it takes the place of the profits of our mills and factories, who to that extent are injured, and to that extent also our productive power is restricted, our capital investment is impaired, and opportunity for our labor lessened. And if the invasion continues long enough and goes far enough, it may seriously affect our local trade situation, unless we can find compensation elsewhere for the loss thus sustained, and the only compensation that I see is to be found in the extension of our foreign trade. If we open the door for the foreigner to come in, we also ought to open the door for our merchants and manufacturers to go out into the world and find new markets, and thus equalize our commercial relations with foreign countries. (Applause.)

We are building the Panama Canal, we are spending some four hundred millions of dollars in this great enterprise. It is expected that this Canal will be a great highway of commerce; it will change the trade routes throughout the world. I was talking with a French Engineer in Chicago not long ago, and he told me that such were the demands that would be made upon that canal that it would only be a few years until it would have to be re-constructed, widened and deepened to a sea-level canal to meet the demands of commerce. Whose commerce is it that will use this canal? Whose ships will pass to and fro from one ocean to another? We have no ships; no foreign commerce to speak of. We shall not have any ships until we have cargoes for them. We shall not have any cargoes until we have markets in which to sell them, and will not have any markets until our manufacturers go abroad and establish markets. (Applause.) And in that work cooperation is required. I see by the papers that Congress has voted a large appropriation to build a railroad in Alaska to help the people of that country by furnishing them the required transportation facilities. We are in a new era in the history of our country. Should not our government help our people in some way to furnish transportation by sea as well as by land? (Applause), and establish some policy that will create a commercial marine? Why, I have made two trips around the world recently; I have visited many lands and crossed many seas and touched at many seaports, and I did not see my country's flag in a single port, except flying over the decks of one Pacific Mail steamer in Hong Kong. Now, here are representatives of Japan, a comparatively small country, and only recently emerged from the shadows of the centuries. I saw her ships, I saw the rising sun of Japan in every port and on every sea that I visited, and that country is deficient in raw products,—she has iron industries, but has to go abroad for her iron ore; she has activity in cotton industries but has to go abroad for her raw products; and yet she is developing her commerce all around the world. She displayed to the world wonderful courage and efficiency in war; she is showing equal courage and efficiency in commerce. And why, with all this great area of territory, with almost unlimited national resources, and with a people that have achieved wonders in the past, not a ship, not a flag afloat upon the seas anywhere? (Cries of "Hear! Hear".) Is it not necessary for us to have a new era in government?

Where shall we find markets? South America is a great field for commercial development. For the most part it is a virgin territory. The resources of that vast continent have hardly been touched, and we have comparatively little trade connection with the people of that Continent. Some years ago I went to Venezuela. My mission had nothing to do with trade affairs. I looked around and made inquiries. I found that in the City of Caracas there was a large foreign representation. There were Frenchmen enough to justify the organization and maintenance of a French Club; there was a German Club; and the English were there in great numbers; but there were only two native-born

Americans in the City of Caracas, one of them running a steam laundry (who has since left I am told), and the other a newspaper correspondent. I only refer to this as evidencing the want of attention on our part to opportunities outside of our own country. And I found that the United States was the greatest market, the nearest market, for the products of Venezuela, and we received only a minor share of her demands. I do not blame the Venezuelans; they do not know anything about our country. The only city in our country they know anything about is New York, and they only know it because it is the place where they change ships when they are going to Europe. (Laughter.) Why, one of the most prominent men in the government there, an intelligent, cultivated gentlemen of information and character came to me one day and said, "Have you any schools in your country for the education of young men? I have two boys I am getting ready to send to Europe, and the thought occurred to me that perhaps you had some schools in your country where young men could be educated." How little he knew of our country and how little we know of that country.

Now, it takes a great many influences to develop trade. There must be the merchant and he must have the persistence and the courage. It will not do to box up some shoes and send them down to Venezuela and expect them to be sold; they will not be sold; they are not the kind of shoes they wear. It is the same way with almost everything else. Our people have got to go to the market, organize, establish their agency, have men to study the conditions of the market and what they require, and then try to meet the demand. In China there were a number of young men trying to establish commercial relations with that country. One of them I remember seemed to be a very bright young fellow, and I asked him what the trouble was and if he could get any orders. He said he could get plenty of orders, but could not get the consistent, persistent support of the manufacturers at home; when trade was good here and orders were plentiful, they paid no attention to foreign orders; but when trade was bad, then they were eager for foreign business. No trade can ever be developed in any such irrational and inconsistent way. I told some boot and shoe men the other night in Chicago that I thought China would be a great market for American shoes. I do not know whether the Chinese are going to change their costume or not—and I hope not—but I noticed that as soon as they commenced cutting off queues, the next thing was a foreign hat; I could tell when a fellow was coming down the street whether he had his queue off, if he had his hat on. And so the next great strike will be for foreign shoes. Why, I tell you what, if I were a wholesale shoe dealer, I would be over there right now studying conditions and trying to make a shoe adapted to their tastes and needs. There is a wonderful market there for them.

Mr. Straight knows as well as I do, that up in Pekin, where Zero weather is the rule, there is hardly a stove to be found in any native house, whether the palace of the rich or the hovel of the poor. It is only now they are commencing to put little dinky sheet iron stoves in one corner, and run the pipe through the window. What do you think of that for a market for stoves? They are commencing to use coal and to distribute it by railroad over the country. There is a fine field for investigation and exploration. One of the great American institutions that is at work there had to teach the people to use its product, and to do this they supplied them with cheap lamps to induce them to burn their kerosene. (Laughter.) With faith in the future, that one commercial interest has developed a great trade all over the country; up every creek and bay, wherever a boat can go; along every railroad, on every mountain trail; it is these methods that are spreading and developing a great trade. Another American interest I know has taught the people there to use a certain sewing machine. I asked the Superintendent of the district: "Are you getting a big trade?" He answered, "Yes. It is slow, but we are *building for the future*." That is the method.

And this great field is open to us. Are we laying the foundation for a great trade? The possibilities of that country are immense. Other nations are fully alive to the situation. They have their representatives there, well organized, well supplied with capital and supported by diplomatic influence. One thing must be remembered—in establishing trade relations with an undeveloped country, capital plays a very important part. China needs money for the establishment of her government, for the opening up of her country, the development of her commerce. She needs railroads for the unification of her country, the development of her commercial life, the creation of a solidarity in national aims and sympathies. At present there is no unified sentiment in China; there is no solidarity except that which comes from the inertness of great masses of comparatively ignorant people. South America needs capital for building railroads, opening mines and clearing away her forests. Therefore, the banker as well as the merchant, must play an important part in the development of trade relations. (Applause.) When we were engaged in the work of developing our country, we borrowed enormous sums of money from abroad. No diplomatic notice was taken of these transactions, because Americans had experience and had demonstrated their efficiency along the various lines of enterprise for which the money was needed. They had established a credit for themselves which entitled them to consideration; and in addition, the foreigner who lent the money knew we had well-defined laws and well-established courts to which they could appeal for the protection of their rights and the enforcement of their contracts. (Applause.) But when you come to a country like China, you find a

people who in all the affairs that belong to their old life are very efficient, but when it comes to newer affairs they do not have the experience, the education or training to make them efficient. Therefore they do not command credit. In addition, they have no well-defined laws, no courts above the dignity of a police magistrate, and the foreigner who invests money there has no protection except the diplomatic support of his government. I do not believe that governments should guarantee contracts or become a mere collecting agency, but their nationals who seek to establish trade relations with backward countries must have some support, otherwise there will be no stimulus in that direction. (Applause.) No dream of far-flung imperialism lures me; no great navies floating over the sea; no marching armies with blood-stained banners cross my vision; but the peaceful, helpful commercial relations of people established on mutual interest, prompted by fair dealing and resulting in benefits to both sides, is the ideal conception I have of the future. And to that end—gentlemen, I could talk longer on this subject because I am so interested in it—(Cries of "Go on, do not stop; keep it up!") To that end, I say, I wish for a man, some great soul having the vision to enable him to look through the vista of coming years and see the path of destiny along which his country is to march, and has the courage to lead and guide his people along the way marked out. We have the Panama Canal, Guam, Hawaii, the Philippines; all stepping stones across the Pacific marking the way for the advance of American interests. I do not know what would become of the Filipinos, that is another question; but whatever may become of them, I assume we shall have a naval base and a commercial base for our trade there. We certainly have spent money enough, sacrificed blood enough, and done them enough good, to have earned that much. (Applause and cries of "Hear! Hear!")

Now, it is all right to hold up a high moral standard before the people; it is all right to install into their minds conceptions of ideals, the beautiful, and the brotherhood of man; yet there are certain practical necessities in the life of every individual which must be supplied before he can appreciate what is beautiful and what is good. (Applause.) The condition in China today may be illustrated by a story I told some of you on a former occasion. The condition of China toward us is very much like a man in Church when they were taking up the collection. The collector came around to him, but the man shook his head and did not give anything. The collector expostulated, saying, "This is a great work—cannot you give something; why are you not going to contribute to the advancement of the work of God in this community?" "No, I must keep my money for my creditors," was the reply. "Well," said the collector, "your greatest creditor is God; you certainly acknowledge that." "Yes," he responded, "I admit that, but He does not push me like the others." (Loud laughter.)

We say to China, "We are your friends." The Chinese say, "Yes, we appreciate that, we understand; but we have placed ourselves under obligation to other people at a crisis in our life when you would not contribute, and our obligations demand that we favor those people who helped us." Well, there is a great deal of sense in that, and I cannot blame the Chinese. I have just heard of a young American over there who made a bid on a great public work. His bid was lost. He had the capital, the record, the reputation, and the ability to carry it out; but he was denied the contract because it had to be given to others who had met the critical situation and helped China when she needed it.

I believe the real theory is that bankers, merchants, government, and all nations should co-operate and work together; and I think it is impossible for us to wrap the mantle of exclusion around us and refuse to take our share in the responsibilities and privileges of the world. We as Americans must go out into the world and assume our full share of responsibility, and at the same time keep true to the ideals that have always characterized human life. (Cries of "Hear! Hear!" and enthusiastic applause.)

BUSINESS AND EDUCATION IN CHINA.

The fundamental problem in the Orient, alike in government, religion, social relations, and business, is the building up of ideals, habits, and institutions through some sort of education. The administration in the Philippines made the discovery early. It has largely moulded the policy of the Japanese at home and in Korea. When things go wrong in India the source of the trouble is likely to be looked for in the department of education. So also "China's only hope" is in "learning." The missionaries have found that evangelization awaits the education of a native ministry. The government established schools as one of the first steps in military and naval reform. The custom of foot-binding has declined only after a long campaign of education among all classes. And the success of the Standard Oil Company required a preliminary education in the use of kerosene.

American commercial men know the value of advertisement better than those of any other nation. But in the Orient all means of educating the people from a business standpoint, have been neglected by American firms. There are a few exceptions, such as dealers in oils, patent medicines, tobacco, and canned milk, whose success makes the case the more remarkable. The Chinese do not yet understand the principles of advertising in periodicals, and rarely, if ever, have mailing lists, although there is a splendid postal service with parcel post arrangements.

But the European dealers are alive both to the con-

suming powers of such a nation and the many avenues of approach which are open. The American business man is looking for concessions and big single deals, and letting the Europeans have the immense trade in small articles and small quantities that is rapidly growing up. This is in spite of the fact that on the one hand the government of China apparently prefers to give concessions to Europeans, while the people seem to prefer to do business with Americans. I could cite many instances in proof of the latter fact.

Not long ago a Mr. Ma, returned from America, established at Canton a big department store, the third in that city. He adapted American ideas to Chinese customs and used various advertising schemes and attractions, including an elevator (admission 5 cents Mex.) and a telescope on the roof which overlooked the whole city. Chinese ladies, as was expected, found it entirely proper and very convenient to take a sedan chair from home straight to where they could buy almost anything native or foreign. As a result after a few months it became necessary to charge admission at the door to keep out the crowds. Mr. Ma is exceedingly friendly to Americans and knows American goods and methods, but his fabrics, notions, canned goods, novelties, jewelry, etc. are chiefly European, because the European dealers are there "on the job." The new flag was hardly adopted before an Austrian manufacturer had on the way to China enameled pins in the five-bar design.

Large trade possibilities are not confined to canned goods, notions, and the staples of the present trade. The numbers of printing presses and bales of paper, of gasoline and oil engines for shallow draft boats, of cameras and supplies, of lathes and other tools, of chemicals and medicines, and of other products of modern civilization shipped into China, are already great and rapidly increasing.

But the safer an article is from imitation the more education its use demands. Hence the British manufacturers and merchants have equipped free of charge and well endowed the engineering department of the recently established Hongkong University. The Chinese must have trained men to retail, repair, and handle their engines until the ordinary workman comes to have a higher grade of intelligence. The Chinese want, for example, marine engines for their immense small scale water traffic usually with three qualifications: lightness, cheapness, and suitability to use kerosene, which is for sale everywhere. But the German and British motors of the best makes are as a rule twice as heavy and twice as expensive as, say, the Gray motors, claiming superiority for the crude oil types rather than for the light oil ones. The trade, however, will be in the type the youthful engineers are best acquainted with. A dealer recently took a big shipment of bee-hives to Canton, and the farmers were delighted until they found the Chinese bee will not work in them, and the great stack of hives remained unsold. The agricultural expert at the Canton Christian College has experimented and found that a slight change in the size of the cells of the foundation comb will make the necessary adjustment. Business and education must advance together.

These facts are being appreciated in some quarters. Douglas Vickers, President of the British Engineers' Association said at a meeting in Sheffield last winter, "There is a large field for British engineering enterprise in China and it is likely to increase very largely in the near future. The English could assist by furthering the cause of education in China and seeing that universities and colleges are as far as possible staffed by English professors and furnished with English equipment.

The May issue of "Eastern Engineering" (British) had an illustrated article describing the gifts to the engineering department of Hongkong University from British manufacturers and quotes Prof. Smith, head of that department, as saying, "Chinese students will gain a good idea of the high quality of British manufactures and in time to come when they develop into positions of responsibility will unquestionably lean toward the machinery with which they are already acquainted when purchasing supplies."

Most of the modern education in China has been done by American missions. An article on "Commercial Possibilities" in the "China Press" referring to this says, "America is beginning to derive benefits from her disinterested and altruistic efforts." Capt. Fitz-Hugh called the attention of the British Engineers' Association to the importance of such a fact as this: "The Young China Party is composed almost entirely of returned students from America imbued with the idea that nothing is good except what comes from America."

The Germans know the far-reaching values of scientific education and all educational institutions. They have opened a school in Canton for the sake of its assistance to commerce. A recent consular report mentions their establishing a college in Shantung Province in order to promote German commerce with China, especially in the field of agricultural implements. A German newspaper reporter who came to Canton sent back an account of how American business men were promoting their interests by the establishing of the Canton Christian College with plans for departments in medicine, agriculture, education, engineering, manual arts, etc. As a consequence the Germans keep as close a watch upon the College as upon our warships. As is well-known one of the first acts of the Japanese in exploiting the China trade was to establish a school in Shanghai for Japanese commercial agents, and the prime factor in permanently binding Korea to Japan will be the Japanese school system.

The majority of the best schools in China are American mission schools. The question is what American trade is going to do to stimulate and strengthen this form of philanthropy which in the end is sure to bring such large returns to American trade, and which has already been one of the most powerful factors in cementing the friendship of the Chinese and American people and in building that foundation of international peace upon which trade ultimately depends.

New York, December 26, 1913. HENRY B. GRAYBILL.

ANGLO-JAPANESE ALLIANCE

COUNT HAYASHI'S REMINISCENCES.

Two instalments of a series of articles written by the late Count Hayashi, describing the history of the Anglo-Japanese Alliance, were recently published by the *Jiji*. Count Hayashi, as Japanese Minister to Great Britain, conducted the negotiations which resulted in the Alliance. After two instalments had been published, the Japanese Government forbade the publication of further instalments. The first part of what follows is a translation published by the *Japan Chronicle* of Count Hayashi's articles which appeared in the *Jiji*. The remainder is the continuation of the reminiscences, publication of which the Japanese Government endeavored in every way to prevent both in Japan and abroad.

"Some years ago, more especially after the lease of Kiaochao Bay to Germany and Port Arthur and Dalny to Russia in 1898, opinions recommending an Anglo-Japanese Alliance were expressed by British journals, and one evening, after a banquet, Mr. Chamberlain, who was then the British Secretary for the Colonies, in the course of conversation with Mr. Kato, my predecessor as Japanese Minister to London, spoke of the advisability of making an understanding between Great Britain and Japan on the Far Eastern question. The Governments of the two countries, however, did not enter upon any serious negotiations for such an understanding.

"About March or April, last year (1901) Baron Eckertstein, the German Chargé d'Affaires in London, called on me several times, and told me that in his opinion nothing would be more effective for maintaining peace in the Orient than a triple alliance between Japan, Great Britain and Germany, and as far as his knowledge went, amongst the members of the British Cabinet, influential men like Mr. Chamberlain, Mr. Balfour, the Marquis of Lansdowne, and the Duke of Devonshire had for a long time held this view, and latterly the Marquis of Salisbury had also accepted the suggestion."

In Germany, the Baron continued, anti-British feeling was running very high amongst the people, but the German Government did not share the popular sentiment. In particular he said two of the most distinguished dignitaries (presumably the German Emperor and Count Buelow; on the occasion of the funeral of Queen Victoria, King Edward and the German Emperor met several times at Osborne, and Baron Eckertstein always attended the German Emperor at these meetings, so that he seemed to know the real circumstances) were in favor of the idea of making an alliance of the three Powers. Should the Japanese Government take the initiative for concluding such a triple alliance, he said, the scheme would be certainly accomplished successfully. What the real object of Baron Eckertstein was in making such a suggestion, whether he spoke to me of the scheme because he was instructed by his Government with the real alliance, or whether he took this course for some other object, I am unable to ascertain.

"There could be no doubt that if the British Government had any intention of entering into an alliance with Japan, as was represented to me by Baron Eckertstein, it would be a combination greatly advantageous to Japan. I also thought it advantageous, and as it could do no harm at least to sound the intention of the British Government on this question, I applied for the permission of my Government to do so. In a telegram dated April 16, last year (1901) I was authorized by my Government to sound the British Government, but on my own responsibility, and in no way binding my Government, which was not in a position to express any opinion either for or against the idea.

"I had occasion to see Lord Lansdowne the following day (April 17), and in the course of our conversation I referred to the Chinese question, and explained that the future of China was a source of anxiety to me, and that it was a matter of urgent necessity to make a permanent agreement between Japan and Great Britain for the maintenance of peace in the Orient. I express this opinion as my own personal view. I sought the views of Lord Lansdowne, who agreed that it was advisable to elaborate some means for the purpose, but owing to the absence from London of Lord Salisbury (the Premier), the British Government did not further consider this important question.

"Lord Lansdowne, however, was quite willing to listen to me if I had any good suggestion to make. When I was about to part from him, Lord Lansdowne stated that such an agreement would not of necessity be confined to the two countries, and he suggested that any other country might be admitted into the agreement. From this statement of Lord Lansdowne, and also from the statement of the German Chargé d'Affaires, I thought that the British Government had already had occasion to consider the question, and might even have sought the views of the German Government thereon, but owing to the absence from London of Lord Salisbury nothing more could be done for the settlement of such an important matter.

"I, therefore, decided to watch the position of the British Government and renew the conversation upon the return to London of Lord Salisbury. I telegraphed accordingly to my Government. I thought it would be difficult for my Government to form a sufficiently concrete idea to enable them to send me instructions when so far I had only referred to the matter in a vague sort of way, and thought it would be expedient to form a basis of agreement for hastening the negotiations. Accordingly, I suggested by telegram that an agreement might be made on the following basis, if my Government really had an intention of making an Anglo-Japanese Alliance:—

"1.—That the 'open door' principle and the territorial integrity of China should be maintained.

"2.—That no country should be allowed to obtain any territorial rights in China except those already obtained from China by treaties already published.

"3.—That Japan, having greater interests in Korea than any other country, her ally should give her freedom of action in Korea.

"4.—That should either of the allied parties be in-

volved in hostilities with any other country, the other party to the alliance should observe neutrality in the struggle, and not go to the assistance of its ally. In the event, however, of a third country coming to the assistance of the enemy of the ally, the other party to the alliance should go to the assistance of its ally.

"5.—That the existing Anglo-German Agreement shall remain in force.

"6.—That this alliance shall apply exclusively to affairs relating to Eastern Asia, and the sphere of the operation of the alliance shall not go beyond the limits of Eastern Asia.

"The Government did not express any opinion on the terms I suggested, but thought an understanding might have been arrived at between Great Britain and Germany, in view of the statement of Lord Lansdowne to me that such an agreement should not necessarily be confined to the two countries. My Government considered it necessary that I should inquire into the existence of any understanding between Great Britain and Germany, and instructed me to find out this information on my own responsibility.

"Lord Salisbury having returned to England on May 10, 1901, I called on Lord Lansdowne on the 15th, and inquired his views on an agreement between Japan and Great Britain, of which I spoke at my last meeting with him. Lord Lansdowne wished to know some details of my views as to what lines such an agreement should follow, and I replied that the policy of the Japanese Government towards China, as had been repeatedly declared, was to maintain the principle of the 'open door' and guarantee the 'territorial integrity' of China and also to maintain Japanese interests in Korea. I further stated that I believed that the interests of Great Britain and Japan in China were identical, and I thought it of the greatest importance for the two countries to join themselves against any combination of other countries.

"Lord Lansdowne replied that it was easy to discuss the main lines of the question, but when details were entered upon some difficult questions would arise. He said he would refer my views to the Marquis of Salisbury. He repeated that the proposed agreement was not necessarily to be confined to the two countries, but a third country also might be admitted. Next day Baron Eckertstein, the German Chargé d'Affaires, called on me and told me that he had visited the Marquis of Lansdowne just after I had seen the Marquis the previous day, and learned from him what I told him. I reported the particulars of my interview with Lord Lansdowne to the Tokio Government, with a recommendation for careful consideration.

"By this time a Cabinet change took place in Tokio. Prince Ito was released from the Premiership on May 10 and Marquis Saionji was appointed Premier *ad interim*. On June 2, another change took place in the Cabinet and Prince Katsura (then Viscount) formed a new Cabinet. Baron Sone, Finance Minister, was appointed acting Minister of Foreign Affairs in place of Mr. (now Baron) Kato. On account of the confusion caused by these Ministerial changes, no reply came from the Tokio Government to my telegram, and no further communication was made to me by Lord Lansdowne, so I let the matter rest.

"On July 15, Sir Claude Macdonald, the British Ambassador to Japan, who was then in London on furlough, unexpectedly called on me, and told me that he had had an audience with King Edward a few days previously when His Majesty stated that it was necessary for Japan and Great Britain to make an understanding in some way or other, and that a temporary understanding would not be sufficient. Sir Claude further stated, that he had seen Lord Salisbury, whose views on the question went a step further. His opinion was that an alliance must be made between Japan and Great Britain, and in the event of two or more countries combining and attacking one of the allies—Japan or Great Britain—the other ally should go to the assistance of the party attacked.

"The British Government had the intention of forming an alliance of this nature, but this being a new departure from its former old-established foreign policy, the accomplishment of such an agreement would require some time, and Lord Salisbury feared that an alliance might be formed between Japan and Russia in the meantime. Sir Claude added that Baron Eckertstein had visited the British Foreign Office and also expressed a fear that an alliance would be made between Japan and Russia.

"I thought the object of Sir Claude suddenly calling on me and referring to the question of the proposed Anglo-Japanese Alliance was to pave the way for opening the negotiations seriously, he acting under the instructions of Lord Lansdowne. I, therefore, telegraphed to the Tokio Government details of the statement made to me by Sir Claude, adding that, as the British Government feared that an alliance would be made between Japan and Russia, if the Tokio Government hinted that Japan and Russia would combine (if there was no prospect of the proposed Anglo-Japanese Alliance coming to a successful conclusion) and so stimulate the British Government, a favorable agreement could be made with Great Britain."

After the above had appeared in the *Jiji*, the Japanese Government forbade the publication of further instalments of Count Hayashi's articles. The continuation of the reminiscences is as follows:—

"Sir Claude Macdonald in this conversation said: 'Whilst we are wasting time thus, Japan might have the notion to make an alliance with Russia. Indeed the German Ambassador went to the Foreign Office and told me that there is a possibility of that.' To this I replied the feelings of Japan are against Russia, but are in favor of Great Britain. It is certain, however, that sentiment should be subordinate to actual considerations of profit and no doubt if Russia should agree to surrender to us certain substantial privileges, then our feeling against that country might be smoothed away.'

"It appears to me that Macdonald was speaking after a consideration of Lord Lansdowne's ideas and that he was working towards the materialization of what I had said a few days before about an Anglo-Japanese Alliance. Judging from his remarks I gathered that Great Britain sincerely desired a treaty, but at the same time feared that Japan might conclude a convention with Russia. I thought that we might utilize this fear or apprehension on the part of Great Britain and pretend that a convention would be negotiated with Russia and thus hasten the conclusion of the treaty. I telegraphed to Tokio my conversation with Macdonald and also my views on the same as above.

"On July 31, I saw Lord Lansdowne and the following conversation took place. He said: 'The time has come to make a careful study of the problem of making a per-

manent treaty with Japan. I want to ask you the views of Japan on the relationship of international interests in Manchuria and also what sort of treaty Japan wants us to make. To this I replied, 'In my opinion the interest of Japan in Manchuria is only indirect. If, however, the Russians occupy Manchuria and extend their influence there, then she will absorb Korea, a course against which Japan would have to protest. What Japan needs to do is to prevent Russia from coming into Manchuria, and, secondly, in case she should be engaged in war with Russia, to prevent a third party from coming to the help of Russia.'

"Lord Lansdowne replied: 'Great Britain has very little interest in Korea, but she does not wish Korea to fall into the hands of Russia. As regards our policy in China, it is the maintenance of the open door and China's territorial integrity, *i.e.*, the policies of Japan and Great Britain in China coincide. I believe that it is time measures be mutually adopted to protect our interests. Now when Russia proposed to make Korea a buffer state, why did Japan reject the proposal?'

"I replied: 'It is useless to assume a neutral position for Korea. The Koreans are totally incapable of governing themselves. We can never tell when civil war may not break out. In such case who will hold the reins of government? It is most natural for countries having interests in Korea to have those conflicting.'

"Lord Lansdowne here remarked that the situation between Japan and Korea was similar to that between Great Britain and the Transvaal. I telegraphed this conversation home to Tokio and on August 8, received the following telegram: 'Japanese Government acknowledges purport propositions made by Great Britain regarding definite agreement; accepts *in toto* your reports conversations Lord Lansdowne; desires you proceed obtain particulars British attitude hereanent; success or failure this convention depends your carefulness; when our policy fully decided work be easy.'

"Of course I felt delighted on receiving this. I never felt happier. I had an interview with Lord Lansdowne and went into further particulars with him. As I had not yet received the power of plenipotentiary to negotiate I continued to speak only as a private person. On August 16, Lord Lansdowne went to Ireland for a holiday. Before he left he told me that he would give the matter the most careful thought during his vacation and requested me meanwhile to get the power of plenipotentiary from my Government. Thus matters rested for a time.

"On September 21, Mr. Komura was appointed Foreign Secretary and on October 8, telegraphed me as follows: 'Japanese Government carefully considered question proposed alliance formed policy definitely as before telegraphed now hereby give you power exchange views British Government regard same—'

"Having thus received the formal power of plenipotentiary I began the negotiations proper.

"On October 16, I called on Lord Lansdowne at the Foreign Office and our conversation on that day resulted in the preamble of the Treaty of Alliance. It was briefly as follows: Lord Lansdowne: 'I understand from your remarks that although you have received the power of plenipotentiary you have not yet received full instructions from your Government as regards details. I am therefore quite willing that our conversation should be personal and that what you may say shall not be taken as binding on your Government.'

"I replied to this affirmatively and said that we could discuss the matter, and my home Government could afterwards make emendations or amendments. The Marquis agreed and then said: 'As the first thing in making an agreement is to obtain the views and wishes of other contracting parties I would like to know what are the wishes of Japan in this matter.' I replied: 'My country considers as its first and last wish the protection of its interests in Korea and the prevention of any other country from interfering in Korea.'

"'What,' the Marquis then asked, 'is your policy in China?' I replied: 'As before stated we entirely agree with the British policy, in China, that is we stand for the maintenance of the open door in and the territorial integrity of China.' The Marquis then asked: 'What sort of a treaty do you think that Japan and Great Britain should enter into?' I said in reply: 'We should like a treaty so that if another country should engage in war with one of the allies and a third country should go to the assistance of the hostile country, then the non-belligerent ally should go to the help of her attacked ally.'

"Lord Lansdowne replied: 'What you ask appears to me to be reasonable. We think, however, that the treaty should be broader and that aside from the conditions asked by you, Japan and Great Britain should always maintain the closest friendship and as regards Far Eastern affairs we should exchange our views without reserve and take concerted action throughout. That is, we think, very important.'

"I believe that the Marquis wanted to nail us down beforehand so as to prevent us from entering into any agreement with another Power after the proposed treaty of alliance had been concluded. I replied that the wishes of my country would be in the same spirit. The Marquis closed the interview stating that he would lay all that I had said before Lord Salisbury, and after carefully studying the matter he would discuss it again with me. Before I left, however, I asked him: 'What do you think about including Germany in the agreement?' He replied: 'At first we shall negotiate with you and then later in the course of the negotiations we may invite Germany to come into the Alliance. I think that is the best way.' The reason I mentioned Germany was because I was not assured as to the relationship between Great Britain and Germany and wanted to find out whether there was any definite understanding that Germany would have to be invited.

"From the various conversations I had with Lord Lansdowne it appeared that Great Britain considered the proposed alliance seriously, and on November 6, Lord Lansdowne handed me the draft (first) of the proposed treaty. The gist of it was as follows: Desirous of maintaining the present state of affairs in the Far East, of preserving the general peace and especially of preventing the absorption of Korea by another country and of maintaining the independence and territorial integrity of China, of securing in China the equal commercial and industrial privileges for every country, the two allied nations have agreed to the following:

"1.—If Great Britain or Japan should engage in war with another country in order to protect the interests enumerated in the foregoing paragraph, the allied nation shall maintain strict neutrality and shall endeavor to prevent any other country from allying with the enemy of the ally.

"2.—If in the foregoing case another country shall join the enemy of the ally, the allied nation shall help the ally in war, and peace shall be made with the mutual consent of the allies.

"3.—The allied nations shall not enter into any agreement with another country, affecting the interest of the two countries in Korea, without mutual consent.

"4.—Should Great Britain or Japan at any time deem the interests mentioned in the foregoing jeopardized, then the two nations shall communicate the full particulars without concealing anything.

"The Marquis requested that the Japanese Government should most carefully study the draft and said that he thought it covered all I had said about Japanese interests in Korea. He continued: 'In the Cabinet Council at which this draft was discussed two or three members said that Japanese interests in Korea are very great, greater in proportion than British interests in the Yangtze Valley. Therefore, they felt the treaty to be one-sided and favoring Japan. For this reason they wanted its scope extended so as to bring Indian interest under it.' He requested me to consider this point.

"The foregoing draft treaty shows no material change from the substance of my conversations with Lord Lansdowne, but it only says that no foreign country shall absorb Korea. It does not say that Great Britain recognizes Japan's paramount interests in Korea and does not give assurance that Japan will not be interfered with by Great Britain in any action she may feel called on to take in protection of her interest in Korea. These points I felt must be made clear. If any such point being expressed in the treaty could embarass Great Britain then there could be a secret treaty covering it. I telegraphed Tokio the draft and my opinions.

"On November 13, I received the following instructions: 'Regarding draft Government communicate decision soonest reasonably possibly; meanwhile go Paris meet Ito, communicate him telegrams exchanged; try get his support British draft wire result immediately."

PRINCE ITO CONSULTED.

"Previous to this Marquis Ito had left Japan as the delegate of that country to the 220th anniversary of the foundation of Yale University and received there the degree of LL. D. Thence he had gone to Paris on his way to Russia and has just arrived in Paris when I got the above telegram.

With regard to Ito's journey I knew by private advices and by report that it was for the purpose of negotiating a Russo-Japanese Convention. But while the negotiations for an Anglo-Japanese Alliance were in progress it was quite out of the question to conclude a Russo-Japanese Convention and I had not believed that there was much in it. Anyhow I went to Paris as ordered, met Ito, reported to him, and after four days returned to London on August 19.

"The following is a summary of the conversations I had with Ito. He told me that before he left home he had seen Marquis Yamagata, Inouye and other Genro, the Premier, Prince Katsura, and the Foreign Minister *pro tem.*, Viscount Sone. In his opinion, it was unprofitable for Japan and Russia to continue to look at each other with 'cross eyes' with regard to Korea. It was urgent that a compromise should be effected. It was therefore decided that Ito should go from Yale to Russia with Mr. Tsutsuki as his diplomatic assistant.

"At the time of his departure the Government had not considered the negotiation with Great Britain seriously. It did not believe that such a thing was possible as an Anglo-Japanese Alliance. The terms he was to negotiate on were: Russia to have a free hand in Manchuria and Japan in Korea and both to agree not to establish a naval base at Masampo. That was as much as it was dared to ask for. In Paris Mr. Tsutsuki told me that Mr. Kurino had accepted the Legation at St. Petersburg on condition that he could make a convention with Russia. Ito was much puzzled at my mission to him in Paris. He had no idea that the Anglo-Japanese negotiations had progressed so far. He was at a loss to know what to do. I was in the same fix. Here was I negotiating with Lord Lansdowne, getting out plenipotentiary powers from Tokio and yet they had sent Ito to negotiate a convention with Russia. If the statement with reference to Kurino was true the matter was the more outrageous.

"I thought it most inconsistent of my Government after it had telegraphed accepting my views on the Anglo-Japanese Alliance. I therefore telegraphed to ask my Government to reflect on the affair. The answer came as follows: 'Government not changed policy; Kurino given no such mission—' The Marquis Ito was still more puzzled. He realized, however, that the negotiations with Great Britain had reached such a point that the Japanese Government could not withdraw, and after further discussion it was agreed that Ito should support in general principle the Anglo-Japanese Alliance, a point gained after much use of persuasive eloquence, and further that he should go to Russia, his visit there having been announced.

"I agreed not to deliver any answer to the British Government until I had heard from Ito in St. Petersburg. I felt it would be very risky to attempt Machiavellian tactics in such important matters as the Anglo-Japanese Alliance or the Russo-Japanese Convention, I telegraphed Ito from London as follows: 'So long as it is our policy to conclude a Russo-Japanese Convention we should adopt one of the following courses: firstly, conclude the Japanese treaty, then inform Great Britain we propose to negotiate with Russia, and then negotiate the convention; or so long as the Anglo-Japanese negotiations are in progress you shall not discuss a Russo-Japanese Convention with the Russians, unless the Russians first propose. In that case put them off as best you can.'

"Ito in his reply agreed to adopt the second plan. The day after I returned from Paris I met Lord Lansdowne, who asked for the answer of the Japanese Government. He said that there was grave danger in delay, as the news might leak out of the proposed treaty and obstacles be raised. He then asked about Ito's visit to Russia and expressed a wish for him to come to England, and was rather irritated that he had not done so. He said that if it was the idea of the Japanese Government to negotiate a convention or agreement with Russia, whilst the negotiations with Great Britain were in progress, the British Government would be enraged.

"I answered that an alliance being a new thing for Japan it was necessary to study the matter most closely. Hence a delay. As regards Ito I explained that his trip to Russia had no special meaning, and he could not come to London then because in November the climate was at its worst and fogs general. He, however, replied that Ito had crossed the Atlantic, avoided landing in England and gone to France. He had given out that he was travelling for his health. Why, therefore, did he go in the winter to St. Petersburg? He was evidently dissatisfied with my explanation.

After leaving Lord Lansdowne I met Mr. Bertie, the Under-Secretary, who was much more outspoken and came to the point immediately. He said that if the news of the Anglo-Japanese negotiations leaked out Russia might offer more advantageous terms, at first sight, but he warned me that the Russian terms would be repudiated afterwards without compunction. He said: 'I warn you to be very careful.'"

The above is a direct translation of the supplement of Count Hayashi's reminiscences. What now follows is a summary of the remainder of the supplement.

Count Hayashi then tells of the attitude of the Japanese Foreign Minister, Mr. Komura, who telegraphed on November 30, the amendments proposed by the Japanese Government. These included the change of the words "Far East" to "Extreme East" and that China and Korea should be designated as the Chinese Empire and the Korean Empire. He also proposed that after the word "absorption" in the preamble the following should be inserted "or annexation" by another Power. He also wished a sentence put in giving Japan full freedom of action to protect her interests in Korea. The telegram

containing the amendments also stated that the draft treaty had been submitted to the Genro by the Emperor, who had also issued instructions that the opinion of Prince Ito should be taken. Count Hayashi was, therefore ordered to send a Secretary of Embassy, Mr. Matsui, to St. Petersburg carrying a copy of the telegram in cipher, to give the same to Prince Ito and bring back his opinion on the same.

Accordingly, on December 1, Mr. Matsui left for St. Petersburg, arriving there on December 23. From the reports sent by Matsui from Ito to Hayashi, the Russian authorities had received Ito extremely cordially. In accordance with the instructions received from the Japanese Government, Ito had broached the question of an arrangement between the two countries, on the very day after his arrival, when Count Witte, the Premier had called on him, Count Witte had said that it would be an excellent thing if a compromise could be arrived at. Ito had replied that a compromise was impossible unless Russia was prepared to concede something.

Witte asked what Japan wanted, to which Ito replied that Japan would be contented with nothing less than freedom of action in Korea, where her interests were enormous. Witte had agreed to this, providing that the Japanese Government would covenant not to annex Korea, to which Ito agreed. Subsequently Ito had been received by the Tsar, who had discussed the same question and said that the time had arrived when some sort of agreement between the two countries ought to be effected. He also discussed the matter with Count Lamsdorff the Russian Foreign Minister, who agreed to the proposal in regard to Korea, but said that Japan would also have to concede something to Russia. It was impossible to continue the discussions with Lamsdorff, in St. Petersburg, owing to the shortness of Ito's stay in the capital and it was arranged that further negotiations should be carried on in Berlin, whither Ito was to proceed on December 8. Matters were at this stage when Matsui arrived, and Ito was most sanguine of being able to carry through a Russo-Japanese Convention on the lines suggested and telegraphed to Tokio to that effect. After looking through the Japanese proposed amendments he asked Matsui: "Do you know Marquis Inouye's opinion on the matter?" When Matsui replied in the negative he showed him a telegram from Inouye advising him to examine the proposed Anglo-Japanese Alliance from the point of view of Russo-Japanese relations. Ito said he must have a little time to think over the matter and said that he would give Hayashi his opinion in Berlin, ordering him to follow him there one day later. On his arrival in Berlin he again saw Ito, who informed him that he strongly opposed not only the proposed amendments but also the original draft treaty.

He said: "The only parties interested in Korea are Russia and Japan. They are, therefore, the only parties, between whom an agreement ought to be made. There is no object in an Anglo-Japanese Treaty. What is the use of inviting Great Britain, which has no interests in Korea, to make a treaty about Korea? It is only giving Great Britain the same position in Korea as Japan, a position which she had not got before. If a third country should join the Alliance, then that country would also be obtaining interests in Korea, which she had not got before. Again it is highly improbable that Germany would join. Marquis Inouyo is very doubtful about Germany joining the treaty.

"The Marquis also thinks that England wants to get rid of her troubles in the Far East and put them on our shoulders, otherwise why should she want to break her traditional policy now and make an alliance with us. The Japanese Government has been too hasty: they have allowed themselves to be pushed by Great Britain. They certainly ought not to have said in their amendment telegram that they agree to the proposed terms, after these amendments have been made, and certainly they ought not to have informed the British Minister in Tokio of what they were telegraphing to you. It leaves no room for further amendments. As regards the negotiations with Russia, these appear most favorable. Count Witte agrees and Count Lamsdorff is only anxious, because he says that our proposals appeal rather like a Japanese protectorate over Korea. There is reasonable ground to hope for a good Russo-Japanese Convention. Why, therefore, do we want to hurry over this Anglo-Japanese Alliance? I have telegraphed full details of all this to Tokio and wonder that your views were discussed in the Council before the Throne at Tokio on December 7."

When Hayashi got Matsui's report he was flabbergasted. He says: "I was quite unable to understand the position the Marquis took up. He was Minister President when the subject was broached. He had agreed in Paris to support the alliance and the Japanese Government had given me definite instructions to go ahead." He, therefore, telegraphed to Tokio, outlining Ito's attitude. On December 10, he received the following telegram from Komura: "Instructions sent you regarding amendments was issued Council Genro Cabinet others Emperor sanctioning Ito's views then discussed go ahead your work."

"I telegraphed the contents of this message to Ito and he at once telegraphed to Katsura to keep the object of his mission to St. Petersburg quite secret as otherwise bad feeling might be created."

The remainder of the diary is taken up with the details of the negotiations, following the presentation of the Japanese Government's amendments. With regard to the proposal to extend the scope of the alliance to cover India the Japanese Government refused to agree on the ground that as the purport of the treaty was to protect mutual interests in China and Korea, the inclusion of India would be out of place. "A rather feeble excuse, I thought," notes Hayashi. It was, however, arranged by an exchange of notes that in case of necessity India could be included in the scope of the agreement by mutual consent and under certain conditions arising.

As regards Germany, it had been the intention of Lord Lansdowne to invite her to join the treaty, but afterwards he expressed the view that Germany's interests in the Far East were not sufficiently great to make it probable that she would join. Finally, a day or two before the treaty was to be signed, he told Hayashi that he could telegraph Komoura to show the treaty to the German Minister in Tokio and he would show it to the German Ambassador in London. However, that very night, very late, Lord Lansdowne changed his mind and sent a messenger round to the Japanese Legation to ask Hayashi to telegraph countermanding the instructions. Hayashi telegraphed, but the message arrived in Tokio too late, Komura having already shown the treaty. Lord Lansdowne therefore showed the treaty to the German Ambassador.

When it came to the question of whether Germany would join, Count von Buelow refused. Hayashi concludes on this point that there is no reason to believe that Germany was slighted by either Great Britain or Japan.

Commenting on the Russian attitude on the publication of the treaty, Hayashi writes that Count Lamsdorff was flabbergasted on seeing it and especially on reading the word "war" for he never believed that a war in the Far East was in the bounds of possibility.

Count Hayashi is very bitter in his comments on his own Government, especially with regard to Ito's mission to St. Petersburg. He reiterates his protest against that mission, being sent during the Anglo-Japanese negotiations. He says: "I was very badly used indeed in that matter. Besides, such a lack of faith and breach of honor have put Japan in a bad predicament. Japan has

won Great Britain's support, but lost the respect of Russia and other European countries."

In connection with the Council before the throne on December 7, when the Japanese authorities finally decided on the Anglo-Japanese Alliance and refused Ito's plans for a Russo-Japanese Convention, Reuter's Tokio Correspondent recently heard the authentic account of that Council from a very high authority. His informant said, "Ito in Europe and Inouye in Tokio, had been working very hard for a Russo-Japanese agreement. Ito was dispatching furious telegrams daily to the Government and to Inouye on the matter. Finally a Council before the throne was to be held to decide the question. The Cabinet was all in favor of supporting Hayashi in London and indeed so strong was the sentiment that both Katsura and Komura informed their colleagues that in the event of the Emperor deciding against them and in favor of Ito they would resign. At the Council, reports were submitted to His Majesty with regard to the Anglo-Japanese negotiations, and then with regard to Ito's negotiations in Russia. After hearing them and studying them His Majesty turned to a Secretary and said: "Go to the Imperial Cabinet and get Marquis Ito's report on a proposed Anglo-Japanese Alliance, when he was Prime Minister." When the report was brought the Emperor looked through it and then turning to the Council said: "In this report of Marquis Ito, when Prime Minister, he most strongly advises that an alliance be made with Great Britain, and nothing has happened in the last few months to change the situation." His Majesty then ordered Komura to instruct Hayashi to go ahead and at the same time to telegraph to Ito to stop all negotiations with Russia. The Cabinet were really against Ito's proposals from the beginning, but were willing to use him as a lever on Great Britain to hasten the negotiations, besides which Ito and Inouye were far too powerful to be stopped from their attitude by anything less than an Imperial command.

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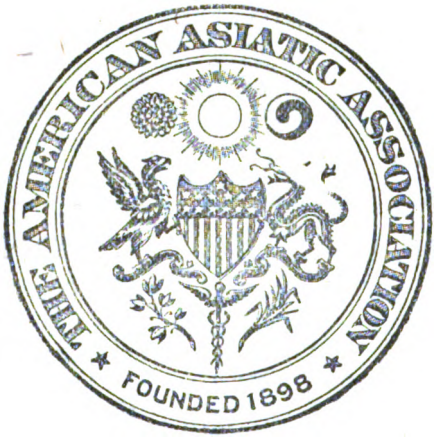

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JOHN W. T. NICHOLS, New York	SILAS D. WEBB, New York	EUGENE P. THOMAS, New York
A. G. MILLS, New York	CHARLES A. CONANT, New York	GEORGE G. ALLEN, New York
E. P. CRONKHITE, New York	I. OSGOOD CARLETON, New York	MARTIN EGAN, Manila, P. I.

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The announcement was quietly made the other day that the Republic of China had entered into partnership with the Standard Oil Company for the development of its oil possessions. It would be difficult to exaggerate the importance of such a piece of news. Not only is the contract, whose essential points are elsewhere reproduced, unique in the history of commerce, but it will supply a leverage for the development of the material resources of China that must add enormously to the potential wealth of the Republic. Perhaps the most pressing need of China today is that of industrial organization, and here is an object lesson about to be made on a scale of unexampled magnitude, as well as according to a standard of unrivalled efficiency. The success of the Standard Oil Company in supplying the Chinese with a smokeless oil lamp procurable in places the most remote for 7½ cents, amply justifies the claim that they have given China light. They have certainly lengthened the Chinese working day, and to that extent have greatly increased the output of the cottage industries. It is equally within the range of practical achievement that the sinking of oil wells in China itself, with the accompanying building of railroads and pipe lines, should promote the creation of great industrial centres and diversified manufacturing plants. Whether the lead taken by the Standard Oil Company in redeeming for the United States its prestige in the commercial development of China, is to have the anticipated result of restoring the financial relations which were interrupted last March, remains to be seen, but it certainly justifies the question asked by Vice-President Bemis: "If the Standard Oil Company has had the confidence to go into China, why do not our bankers put their money into the country?"

It would seem that, from one quarter at least, the question is to have a sympathetic response. The letter of Miss Boardman in regard to the necessity for methods of flood prevention in China on a scale proportioned to the magnitude of the problem to be attacked, and to the amount of life and property annually destroyed by preventible inundation, will be read with all the more interest because of the declared readiness of J. G. White & Co. to undertake the work. This is a task to which American engineers bring a special fitness, and which can be put in American hands

with the more assured confidence because of the absolute lack of any desire on the part of our Government or people to control a single foot of Chinese soil. In such an enterprise there can be no question of the cordial backing of President Wilson's Administration, any more than there can be of the preference of China to have it placed under American control. Incidentally, the rehabilitation of American financial enterprise in China could not have had a more promising beginning than that supplied by the readiness of the Standard Oil Company and of J. G. White & Co. to expend millions, carefully, honestly, and intelligently, for the enrichment of the country and the elevation of its people in the scale of national well-being.

THE returns of the foreign trade of China for 1913 are, on the whole, encouraging. The fact may be recalled that contrary to expectations the volume of China's foreign trade in 1912 was the largest in its history, and that the Customs revenue reached the unprecedented amount of Tls. 39,950,612. For 1913 the Customs revenue exceeds the total of 1912 by Tls. 4,000,000. Although the import trade was not prosperous in 1913 the total will nevertheless, be beyond any previous record. As to the financial condition of China, it is conceded by the most careful observers that there is more room for hopefulness than at any time during the past two years, or even during the last few years of the Manchu régime. It is only within the last four or five months that the Central Government has been in a condition to command obedience from the provinces. The key to the financial future of China must be sought in the answer to the question whether the provinces may be depended on to collect taxes and spare a surplus for Peking. The amount of this during the last years of Manchu rule was placed at Tls. 45,000,000, and should such an amount be forthcoming now, in addition to the greatly improved yield of the salt revenue and the steadily advancing returns from customs, there will be enough to meet all the additional debt charges and provide a sinking fund besides. Of course, should the Central Government be compelled to confess its inability to make the provinces pay their share of running the Government, the idea of any government at all in China might be given up altogether.

THE exports of the United States to China and Hongkong reached, last year a total of $37,929,492 against $30,771,424 for 1912. The gain in exports of cotton piece goods was from $4,620,276 in 1912 to $8,013,199. The latter amount represents one-fourth of the entire exports of cotton cloths for the year and is $2,200,000 more than the value of this class of exports to the Philippines, whereas in 1912 the Philippine export exceeded the Chinese by $600,000. The exports from China and Hongkong which in 1912 were valued at $38,478,731 reached in 1913 a total of $44,286,809. Our trade with Japan shows a similar degree of elasticity, the exports being $62,499,819 against $57,519,654. Our imports from Japan in 1913 attained the somewhat impressive total of $98,935,957, as compared with $87,418,042 in 1912. Nearly two-thirds of this amount is accounted for by the value of the imports of Japanese raw silk. The only part of Asia to which the export trade of the United States does not show an increase is British India, but the imports continue to grow at the rate of nearly twenty millions a year. The total imports from the British East Indies, including the Straits Settlements, amounted in 1913 to $115,071,502, against $97,649,386, in 1912. To the whole of Asia the exports of the United States were last year $126,122,351, or, in round numbers, ten millions more than in the year preceding. To the Philippine Islands the exports amounted to $27,897,164 or some three millions more than in the preceding year. It is instructive to note that to Asia and Oceania our exports were $61,000,000 more than to South America, while the imports were $118,000,000 greater.

THE foreign trade of Japan for 1913 reached a record total of $650,000,000 as compared with $571,000,000 in 1912, which was in its turn $50,000,000 over the total of 1911. The fact may be recalled that the Customs tariff of 1911 was expected to restrict imports, but last year these were in excess of exports by $4,000,000, while in 1912 the excess amounted to $47,000,000. In the absence of a detailed statement of the imports, it is impossible to say whether this is an entirely normal movement. At the close of 1912 it was held to be so because a good deal of the import increase was due to the purchase of machinery to be used in the equipment of factories in Japan.

CHINA hands, old and young, will read with interest the story of the life of Horatio Nelson Lay, contributed to this number of the Journal by Mr. John King, K.C., of Toronto. The interests of British and American trade in China have been so closely identified in the past that a career like that of Mr. Lay could not fail to have a close relation to both. He was actually associated, as a youth of seventeen, with the mission of a United States sloop of war to Japan in 1849, to secure the release of some shipwrecked sailors who had been kept for two or three years in a Japanese prison. Mr. Lay became British Vice-Consul at Shanghai at the age of 22, and he had hardly occupied that office for a year before he was called upon to fill the post vacated by Mr. (afterwards Sir) Thomas Wade as the head of the newly established foreign customs Inspectorate. As Mr. King shows, the "Boy-Consul" soon found himself alone, owing to the withdrawal of the representatives of other nations. He also found himself the target of persistent abuse and misrepresentation, whose actuating motive was a profound dislike, both on the part of Chinese and of Europeans, with whose illicit practices he interfered, of the system of customs administration which he had undertaken to teach to the native authorities. It took him some little time to acquire the absolute confidence of the Chinese officials, but when this was accomplished, they became anxious to use his services in a larger sphere, and in 1859 he was appointed the first Inspector-General of the Imperial Maritime Customs, having all the open ports under his jurisdiction and being charged with the appointment of the Commissioners. One of these latter selected by him, was Mr. (afterwards Sir) Robert Hart, who became his official successor, and whose long career of activity so identified him with the growth of the Chinese Customs Service that Mr. Lay's services in organizing it have been pretty generally forgotten.

Exports of Domestic Cotton Cloths, Mineral Oils, and Wheat Flour from the United States to China and Hongkong, during the twelve months, ending Dec. 31, 1912 and 1913.

EXPORTS TO CHINA.

Months.	Cotton Cloths. Yards.		Mineral Oils (illuminating). Gallons.		Wheat Flour. Barrels.	
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	1,701
November	4,465,586	312,753	4,610,300	267,220	1,626	6,591
December	4,140,282	285,499	3,208,710	266,649	8,096	30,853
Total	60,766,738	$4,620.276	57,052,159	$3,992,400	490,241	$1,924,857
1913.						
January	7,096,890	$481,040	2,988,096	$134,464	11,264	$44,611
February	7,005,113	489,324	3,385,530	293,367	35,988	139,183
March	8,576,182	561,677	7,817,080	442,421	47,313	178,385
April	10,679,063	743,675	7,110,600	642,584	19,450	76,933
May	14,491,282	1,022,369	13,645,100	955,947	240	971
June	11,866,362	835,725	13,914,180	1,178,370	100	400
July	13,861,576	947,287	7,367,800	400,559	8	48
August	5,839.825	398,458	2,029,963	101,498	3,128	12,545
September	12,196,195	815,514	7,188,242	388,354	13,763	53,191
October	8,478,971	606,864	5,586,934	403,697	36,881	150,509
November	6,030,732	414,584	11,169,900	763,814	22,163	80,728
December	10,123,497	696,682	1,587,995	142,924	19,403	76,033
Total	116,175,688	$8,013,199	83,791,420	$5,847,999	209,701	$813,537

EXPORTS TO HONGKONG.

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
November	60,138	9,400	600,000	52,325	101,682	401,414
December	155,414	15,971	.....	.....	63,521	250,274
Total	1,238,809	$175,130	5,853,820	$416,503	1,280,476	$5,040,676
1913						
January	636,832	$43,454	1,425,810	$151,888	60,862	$228,941
February	163,478	25,420	.....	.....	102,121	410.463
March	196,668	29,815	.....	.....	129,461	492,019
April	211,034	33,938	1,195,000	117,707	120,249	478,075
May	161,310	26,267	2,311,000	212,612	160,755	642,322
June	109,841	17,046	2,235,000	205,620	76,636	308,268
July	101,998	16,568	3,659,160	258,103	143,689	572,237
August	155,718	20,489	.....	.....	49,897	202,209
September	109,192	16,476	487,143	45,342	27,423	105,366
October	132,835	20,351	2,755,658	161,053	157,358	617,471
November	47,646	6,924	950.000	89,300	174,918	699,052
December	55,790	10,469	850,000	79,899	191,375	736,979
Total	2,082,342	$267,217	15,868,771	$1,321,524	1,394,744	$5,493,402

WASHINGTON, D. C., February 16, 1914.

DEPARTMENT OF COMMERCE,
Bureau of Foreign and Domestic Commerce.

Imports of Tea and Silk into the United States for the twelve months, ending December 31, 1911, 1912 and 1913.

	1911.		1912.		1913.	
TEA.						
Imported from	Pounds.	Dollars	Pounds.	Dollars.	Pounds.	Dollars
United Kingdom	12,980,607	3,470,771	11,050,611	3,261,358	13,625,948	3,903,816
Canada	2,856,929	747,135	2,819,909	815,805	2,954,175	861,001
China	17,993,553	2,121,960	26,830,123	3,741,184	19,615,839	2,690,401
East Indies	11,946,000	2,005,702	13,045,738	2,145,652	9,387,855	1,578,524
Japan	57,284,989	9,781,008	44,026,818	7,799,453	42,370,070	7,162,467
Other countries	1,103,576	190,595	933,042	180,832	1,064,195	208,084
Total	104,165,654	18,317,171	98,706,241	17,944,284	89,018,082	16,404,293
SILK.						
RAW, OR AS REELED FROM THE COCOON.						
Imported from	Pounds.	Dollars	Pounds.	Dollars.	Pounds.	Dollars
France	210,035	729,626	108,243	369,349	76,489	207,334
Italy	1,993,163	7,504,580	2,566,035	9,371,264	2,409,434	9,535,326
China	4,935,959	12,056,949	5,230,391	12,698,656	6,100,485	15,523,856
Japan	13,537,481	45,799,609	16,697,881	54,415,258	19,056,919	63,316,257
Other countries	228,065	860,382	164,285	547,404	335,478	1,187,297
Total	20,904,703	66,951,146	24,766,835	77,401,931	27,978,805	89,770,070

AMERICAN ASSOCIATION OF CHINA

Annual Meeting

The fifteenth annual meeting of members of the American Association of China was held on December 29, in the U. S. Court for China. Mr. W. S. Emens, President, was in the chair, supported by Mr. S. Fessenden, Vice-President; Mr. W. H. Dietrich, Treasurer, and Mr. W. A. Reed, Hon. Secretary. Among the members present were Dr. F. E. Hinckley, Dr. Bryan Dr. W. H. Lacey, Dr. Gilbert Reid, and Messrs. J. B. Davies, N. T. Johnson, R. Southmayd, B. Moss, Bernard, W. S. Fleming, N. E. Bryant, F. L. Cole, H. H. Arnhold, and C. C. Baldwin.

The report of the Executive Committee for the year 1913 was submitted by the Hon. Secretary as follows:

Your Committee have the honor to present the following report covering the period from the last annual meeting, held December 30, 1912, to the present time.

Executive Committee: The following changes have taken place in the personnel of the Committee during the year: Mr. J. W. Gallagher, owing to illness was compelled to leave for home early in the year, when Mr. W. H. Dietrich who has since acted as Treasurer, was invited to join the Committee. Dr. C. S. F. Lincoln had also left for home, and yas succeeded by Mr. T. F. Cobbs. Dr. J. B. Fearn resigned from the Committee in June, and in the autumn Dr. Lincoln, on returning to Shanghai, was requested to rejoin the Committee. Mr. H. F. Merrill also left for home in the latter half of the year.

The Committee has held twelve formal meetings during the year at which business of varying importance has been considered, including confidential matters of a semi-political character, which the Committee deem it advisable not to make public.

Membership: We have added fourteen new names to our roll of resident membership which, notwithstanding resignations and transfers to non-resident membership and vice-versa, shows a satisfactory net increase over the previous year.

Our present membership stands at:—honorary 3; resident 107; non-resident 74.

Official changes: We have to record, with regret, the resignation of Hon. Rufus Thayer from the Judgeship of the U. S. Court for China and his subsequent departure from Shanghai on November 11. Before his leaving the Association entertained him at a dinner at the Shanghai Club on November 8.

On November 1, our newly-appointed U. S. Minister to China, Dr. Paul S. Reinsch, arrived in Shanghai en route to Peking. Unfortunately Dr. Reinsch's stay in Shanghai was too limited to permit of an opportunity for Americans generally, to meet him.

Our present Consul-General, Hon. Amos P. Wilder, has been compelled, for reasons of health, to leave Shanghai, and the Hon. Thomas Sammons, at present Consul-General at Yokohama, who has been appointed to succeed Dr. Wilder, will, we believe, arrive in Shanghai some time in January.

Federal Building: The Government has not yet acted favorably in connection with the appeals made by the Association that suitable premises be acquired for its offices in Shanghai. The Committee has again taken the matter up and is placing before the Department of State a strong recommendation that the opportunity of acquiring the Whangpoo road site be taken advantage of.

Trade between China and the United States: There is little to be said under this head beyond recording that our trade, in common with that of other nations has been adversely affected by the rebellion. The

trading capital of the country was withdrawn at the time of the revolution and has not been available since excepting to a very limited extent. There was a gradual improvement in this respect, but it received a check during the first part of this year, when an insurrection was threatened. When warfare actually commenced, all important business came to a standstill. Produce for export has been held at the places of origin because of the danger of looting while in transit and the absence of means of financing. In some cases where these obstacles have been overcome, cargo has been held up because of disputes between the native shippers and the likin officers. Imports accumulated at the ports while the insurrection was in progress. Shipments to the interior have now been resumed, but we are still a long way from normal conditions.

Panama Canal: The year has seen the opening of the Panama Canal for vessels of light draft, and the actual opening for regular traffic is within sight. It is too soon to attempt a prediction of what benefits this route will bring to American trade, but we have the fact that the distance from our Atlantic ports to Shanghai will be 1,500 to 2,000 miles shorter than via Suez.

Chinese Affairs: At the time of the last Annual Meeting it was believed that negotiations would soon be concluded between foreign bankers and China, for the purpose of enabling China to deal with:—

A. Liabilities due by the Chinese Government.

B. Provincial loans.

C. Liabilities of the Chinese Government, shortly maturing.

D. Disbandment of troops.

E. Current expenses of Administration.

F. Reorganization of the Salt Administration.

The foregoing involved about Gold $110,000,000.

At that time it was thought that American capitalists would participate in this loan, and in our last report a hope was expressed that upon satisfactory conclusion of the negotiations, steps would be taken to remedy the chaotic condition of China's currency. The last Administration had requested a group of American bankers to take part in the negotiations, and it was understood that the request was made because it was expected that mutual benefits would result to both the United States and China.

On March 21 the representative in Peking of the American bankers notified his colleagues that he had been advised from New York that his syndicate had been broken up and that it did not contemplate doing any further business in China.

American retirement from the group of bankers made no difference in the progress of the negotiations, beyond changing the so-called Sextuple Group into a Quintuple Group. The loan agreement for Gold $125,000,000, was signed on April 27. Subsequent arrangements have increased the amount to Gold $200,000,000.

Later in the year an announcement was made that the Quintuple banking group agreement had been cancelled except as regards State loans to China for administrative purposes. This leaves the field free in respect to loans for railways and non-administrative developments.

Following the loan agreement the political situation gradually became a struggle between the Provisional President and the leaders of the Kuomintang. In May the Chinese Chambers of Commerce in Peking, Shanghai, Hankow, Soochow and other places began to take alarm and telegraphed petitions to the Government to the effect that the people were not in sympathy with the Kuomintang agitation; that only an "infinitestimal minority" of the population were taking part in the meetings that were being held for the purpose of denouncing the Government, and at which speakers were suggesting an armed insurrection. The Shanghai Chamber announced that "there was no need whatever for the extremities which foolish people had urged, no desire on the part of the people to do anything to break the peace, and hence every hope that the Government will speedily control the situation and allow business to continue in its normal course."

Upon receipt of these communications from commercial organizations throughout the country, a Presidential Mandate was issued calling upon the Provisional Authorities to take steps to suppress the agitators, and stating that the local officials would be held responsible for the maintenance of law and order.

On July 12 it was reported that fighting between the troops from the North and the Kiangsi troops had commenced at Kiukiang. On the 15th, a proclamation was published in Nanking declaring the independence of Kiangsu. This proclamation also stated that the local troops were to be organized for the purpose of taking part in a punitive expedition to the north and the extermination of the Provisional President.

On the 18th, a proclamation declaring independence appeared in the Shanghai City. On the 20th, representatives of the punitive expedition occupied the Chinese Telegraph premises in the International Settlement, but on the following day the Municipal Authorities restored them to the representative of the Government. On the 22nd a section of the punitive expedition began an attack on the Kiangnan Arsenal. From this time till early in September the Government was engaged in suppressing the insurrection.

On October 6 Yuan Chih-kai was elected President of the Republic, and Li Yuan-hung Vice-President. Their inauguration took place four days later on the anniversary of the Republic.

In November the Government dissolved the Kuomintang. Those members who were connected with that organization were unseated. The Government had proofs of their being implicated in the rebellion, and appears to have considered that their existence as an organization was a menace to the national peace.

Since the establishment of the Republic the Central Government has not been able to collect taxes in the provinces. The old system of taxation has become disorganized and there are many difficult problems to work out in connection with the reorganization. The authority of the Government is being not only felt but respected. If it maintains its authority the people will get into line, and peace will replace the disorder that has reached to every section of the country. That it has been able to hold its authority is mainly due to the financial assistance derived from the loan of the Quintuple Group. That came at a time when most needed and probably prevented the country from lapsing into a state of anarchy, by giving the Government the means of restoring peace and order.

Dr. Gibert Reid, referring to two items in the accounts, "cables to Washington," asked if there was any objection to stating what the cables were.

The Chairman answered that both were referred to in the report as matters of a semi-political nature and it was thought best to keep quiet about it. Copies of the telegrams were open to members of the Association, but it was not thought well to publish them.

The report and accounts were adopted.

The election of the Executive Committee, and officers, was proceeded with, the following appointments being made:

Executive Committee: Messrs. T. F. Cobbs, W. S. Emens, W. H. Dietrich, S. Fessenden, W. T. Findley, J. D. Gaines, E. K. Howe, C. S. F. Lincoln, W. H. Lunt, W. A. Reed, and N. T. Saunders.

President, Mr. W. S. Emens; Vice-President, Mr. S. Fessenden; Treasurer, Mr. W. H. Dietrich; Hon. Secretary, Mr. W. A. Reed. The decision of the Chairman, in response to the unanimous wish of the meeting, to serve again as President and as a member of the Executive Committee, gave much satisfaction.

The President, referring to the question of new premises, said that the lease on the present site occupied by the Consulate-General and other offices, including the Court, had two years more to run. The Committee of the Association had during many years urged their Government to buy a suitable site for a Consulate, and it had not responded to their request. The Committee was now taking steps to bring the whole matter before the Government again and were forwarding plans of the property and illustrations of the site, and they would be glad to hear from any member able to suggest some way of waking up their representatives in Congress. There was an association between the American community and Hongkew extending many years back, and the only available site along the riverside was the present one. Their Consul-General, Dr. Wilder, for whom they all had the utmost respect, was obliged to leave on account of his health. The Committee approached him with the idea of giving him a farewell banquet, but he had declined owing to the state of his health. They had since got his consent to join them at a tiffin, and possibly at the time they were saying farewell to the old Consul-General they would be able to welcome the new one.

THE STANDARD OIL COMPANY AND THE CHINESE GOVERNMENT

The arrangement concluded between the Standard Oil Company of New York and the Chinese Government for future operation in China virtually amounts to a partnership in which, according to Standard Oil officials, the Government will receive nothing more than its share of profits as based on the interest it holds. No loan of $15,000,000 or any other amount was made by the company, it was said, and the Standard Oil interests did not receive a concession of any particular territory to develop.

"When the negotiations were first undertaken several months ago," said W. E. Bemis, Vice-President of the company, who made the agreement, "the Chinese officials wanted us to make them a loan and in return offered an oil concession after the fashion generally followed when commercial ventures are santioned in the Far East. The company has not made a practice of developing its foreign trade in this way, and the offer was rejected. Then it was proposed that an American-Chinese company be formed in which the Government should have a minority interest and in return for it aid in every way to help the Standard forward in its work.

"As far as I can discover this is the first instance in which a Government has entered a partnership with a corporation. And it is no more than a partnership. The Chinese authorities agreed to make arrangements with landowners for the laying of our pipe lines, the building of railroads and storehouses, and, of course, for the free operations of our plants on the fields when they are discovered. In about three weeks our drillers will be on the ground. We will first begin prospecting in the Provinces of Chi Li and Shen Si and continue until profitable fields have been located."

Mr. Bemis spoke with satisfaction of the fact that the company had secured the right to develop China's

oil resources away from the Japanese. He did not enter into details of the negotiations, but the inference was that it was nip and tuck between the American and Japanese interests for the favor of the Chinese officials, and that the terms offered by the Standard Oil Company were the more acceptable.

"We cannot say yet how profitable operations in the Chinese Republic will be," continued the oil man, "nor the length of time necessary to have our plants in successful operation. It is well known, however, that oil deposits abound and it is only a matter of prospecting until they are clearly sized up. We have had geologists and experts in the oil business looking over the ground for some time, and when their reports come in the company will be ready to start things going. I should say that an expenditure of from $6,000,000 to $10,000,000 will be necessary.

"The Standard Oil Company of New York, I think, has a right to take considerable pride in such commercial advancement as China has made in recent years. We have invested $20,000,000 in the country since 1903, and in the ten years since that date have placed our products in out-of-the-way corners of the kingdom where oil was never known before. And it has been done by our own agents. Previous to 1903 we dealt through the established commercial houses in seaport cities, and were one of the very first foreign organizations to set out to distribute our own products.

"Many people believe that the Chinese are a difficult people to do business with. The Standard of New York has never found this to be so. Since 1906 we have done $100,000,000 worth of business with Chinese merchants, great and small, and with our own Chinese distributors, and in that time have met a loss of 634 taels all told, a matter of something like $440. It is a custom of the Chinese to settle up their debts at their New Year, and they are scrupulous to wipe the slate clean.

"The increase of the use of kerosene in China has trebled the output of the silk industry in the past seven years. The direct cause of this great increase was a lamp we had made, an ordinary kerosene lamp, with a burning capacity of eleven hours at one filling, which we designed and sold for 7½ cents a piece, sometimes making deliveries 3,000 miles in the interior. Previous to the introduction of this lamp in some of the interior parts of the silk-raising territories work had to be confined to the hours when the sun shone brightly. Even in places where they had oil they could not use it to advantage because of antiquated lamps in use. In the first year our special lamp was sent across the sea 875,000 were sold. Since that time annual sales have aggregated 2,000,000, and the company manufacturing them has been worked to capacity to supply the demand.

THE GREAT INCREASE IN TRADE.

"The use of a modern lamp naturally increased the call for our product. In 1903 some 3,500,000 cases of oil were sold by the Standard Oil Company of New York in the northern provinces; last year sales totaled something over 9,000,000 cases.

"The Standard Oil Company does not make loans of the sort suggested first by the Chinese officials, because it is not in the banking business. There is a great opportunity for American bankers to gain a foothold in the Celestial Kingdom now at the beginning of a new order of Government. China is in need of money, badly in need of it, and as matters stand now she has to go to Germany or England for her funds. And what are the conditions attached to a loan made by European bankers? Why the most important one is that, if the loan is made for commercial purposes, the goods bought with the proceeds of the borrowing must be bought in the country where the loan was secured.

"I believe that China offers the greatest field for commercial enterprise that exists to-day. Gold, silver, copper, and coal are to be found in quantity, and only capital is needed to do great things. The American banker should not let the opportunity slip past him. It is to be feared that foreign capital is going to get ahead of ours in the vast industrial and commercial expansion which is sure to come unless steps are taken quickly.

"The action of the State Department brought to an end one effort to loan money to the Chinese Government. I sincerely hope that our bankers may yet have the support of the department in financial operations in China, and that, whether this support is given or not, that American bankers will not hesitate to enter the field on their own responsibility."

A NOTABLE STROKE OF CHINESE POLICY

The enterprise of the Standard Oil Company in China is something more than a productive undertaking of impressive magnitude; it is an event in world politics. For years the Standard Oil Company has been selling light to the Chinese, to the sensible enhancement of the output of cottage industries, no less than to the relief of the dull monotony of the sombre existence of a majority of the people. They have done this the more successfully, because they devised and sold a lamp so cheap as to be within the reach of even the abjectly poor—a lamp giving a smokeless and clear light, which was sold in the coast ports at the bare

cost of manufacture, and whose inland transportation was paid for by the company so that it could be bought as cheaply in Chungking as in Shanghai. The lamp sold the oil and the representatives of the company saw to it that both reached the consumer with the minimum addition of charges for passing from hand to hand. All this presupposes organization of a kind equally intelligent and comprehensive; and from dispensing refined illuminating oil to the Chinese millions there is but a short step to the erection of refineries for the utilization of the supply of crude oil that lies, so far, untouched beneath the soil of China, and for the systematic exploration of the country to determine where the oil fields are and what is their capacity. There may be capital in China sufficient for either or both of these objects, but there is neither the willingness to risk it, nor the technical experience or capacity for organization needed to make the investment profitable. Hence the wisdom of Yuan Shih-kai in pledging his Government to a virtual partnership with the Standard Oil Company in a productive enterprise which, directly or indirectly, will tend to the manifest increase of national wealth, to the quickening of national energy and the promotion of new forms of national industry. It is only by borrowing from the accumulated wealth and experience of more advanced nations that China can hope to secure a fair start in equipping herself with the appliances of modern civilization and laying the foundations of future wealth and prosperity. Considering that the choice which China is compelled to make is between enlightened progress and ultimate dismemberment, the significance of the Standard Oil enterprise becomes world-wide.

It is long since the preservation of the integrity of China was recognized as a world necessity, and the fact is slowly claiming recognition here that the dismemberment of China would bring disaster to no nation more swiftly and surely than to this Republic. The Standard Oil enterprise, which may involve the expenditure of more millions than any international syndicate of bankers has yet proposed to lend to China, is an indication of a broadening conception of the closeness of the relations that bind our future with that of China. Twenty years ago any such recognition on our side was of the feeblest, and the record of the early stages of American financial achievement in China is not a brilliant one. When subscriptions were invited to the original syndicate in 1895, out of which grew the American-China Development Company, the argument was used that greater readiness existed at Pekin to make concessions to American citizens than to those of European nationalities for the reason, among others, that fewer political complications were likely to be met with where the former was concerned. The concession for the building of the Pekin-Hankow line was first offered to the Americans and when the contract for the building of the Hankow-Canton line was made with them there was added to it a provision that if the agreement should be cancelled for the construction of the upper half of the trunk line system, the Director General should authorize the American-China Development Company to undertake the work. But if any strong desire had been felt among American capitalists to make substantial investments in railroad property in China at that time, it ceased to exist with the passing away of the controlling spirit of the development company. As a matter of fact, the inducements which this company had to offer to American investors in the "boom" times were not found attractive enough. Efforts which were only partially successful were made to secure a market for the Hankow-Canton bonds in England, and at this juncture the Franco-Belgian combination which had undertaken the construction of the Pekin-Hankow road was appealed to for aid.

Thereupon the Belgianizing of the whole enterprise became inevitable. An American representative of the King of the Belgians had succeeded in purchasing from American holders a sufficient majority of the shares of the American-China Development Company to give the Belgians and their French associates assured control. Shortly after the first twelve miles of railroad from Canton northward were open to business a reorganization of the company was ordered from Brussels, and its chief offices were transferred to that city. There followed the notice served by the Chinese Minister on the Department of State of the revocation of the concession to build the railroad because of the transfer of its control to alien interests. Fortunately the Secretary of State was able to meet this move with the verbal and written assurance of Mr. J. P. Morgan that 1,200 shares of the company had been acquired from their Belgian holders, and that these, together with some 2,400 shares securely in American hands, had been placed in a voting trust calculated to guarantee the maintenance of American control of the railroad without reference to any future changes of the ownership of the stock of the company which had undertaken its construction and management. Mr. Morgan and his associates stood ready to complete the Hankow-Canton Railroad, and thereby supplied a needed vindication of the somewhat shattered good faith of American financiers in China. But the Chinese at that time were full of what was called "national recovery" sentiment, and thought they were quite sufficient for the enterprise without foreign aid. At no point of Chinese activity and railroad building has there been a more dismal illustration of Chinese ineptitude for such work than in this Hankow-Canton enterprise, but it became the starting point for the much larger scheme of the Hankow-Szechuan Railway, financed by a four-power loan, in which the Americans have their share. It is highly probable that with the clearer understanding that has been reached of the attitude of the Administration toward American investment in China the great enterprise of the Standard Oil Company will mark a new area in the relations between China and the United States.

N. Y. Journal of Commerce.

THE RED CROSS PLAN FOR FLOOD PREVENTION IN CHINA

The public is manifesting so deep an interest in an important humanitarian work the American Red Cross has initiated in China that a brief explanation may be timely. The charter of the American Red Cross requires not only that it should mitigate the suffering caused by famine and other great calamities, but imposes upon it the duty "to devise and carry on measures for preventing the same." During the last six years the American Red Cross has expended hundreds of thousands of dollars for famine relief in China, and this does not include large cargoes of food, their transportation, nor the contributions furnished through missionary and other organizations.

In those portions of Anhui and Kiang-su, which lie north of the Huai River, the Hungtze Lake and the old bed of the Yellow River, south of the province of Shantung, and the present bed of the Yellow River, and extending east and west from the sea to the Ke River, is a section of country which has known but little rest from floods and subsequent famine for the last 2,500 years. This section is a portion of China's great alluvial plain.

We have the history of this section—physical, geographical, and human—for the last twenty-five centuries at least, and, in addition, the records of the various cities and districts give the years of flood and famine and the amount and kind of relief given to the sufferers; taxes remitted year after year, millions of ounces of silver, and tons of free grain. The floods have so increased in frequency and the resulting famines in acuteness that now, over the whole area under consideration, the farmers do not average more than two crops in five years, where, if the floods were eliminated, the normal condition would be two large crops each year, and this loss is an ever-increasing one.

In 1911 the officers of the American Red Cross, with the approval of the State Department, decided to offer to the Chinese Government an expert engineer on river conservancy to make a thorough examination of this flood and famine region, with a view to designing some scheme by means of which the flood level could be lowered, the rivers properly trained, and the swamps and shallow lakes drained and made available for agriculture. For this purpose a small balance of the famine relief fund then in hand was utilized. This offer was accepted with gratitude by the Chinese Government, which proposed to furnish all necessary assistance and provide for all field expenses on its part, the American Red Cross paying the engineer's salary.

Charles Davis Jameson, a civil engineer of standing, who had spent sixteen years in China, was selected for this work. The disturbed conditions that arose shortly after his arrival interrupted and delayed his work. At the end of 1912, however, Mr. Jameson submitted a report to the Chinese Government and to the American Red Cross.

The late Administration, under President Taft, and the present Administration under President Wilson, instructed the American representative at Peking to inform the Government of China that this effort toward river conservancy in Central China and the resulting prevention of floods and famines in that area has the most earnest approval of the United States Government, and in a long dispatch, dated Jan. 13, to the State Department, Dr. Reinsch, the American Minister at Peking, reported:

There cannot be any doubt of the vast importance of the execution of this work from the point of view of humanity, as the welfare of the millions of human beings who inhabit the northern part of Kiangsu and Anhui is entirely dependent upon this improvement. Vast floods, with their heartrending consequences of famine, involving death and suffering of millions will continue until this work is carried out. On the soundness of this enterprise as a business undertaking, the report of Mr. Jameson made to the Red Cross in August (29), 1912, gives sufficient indication. The lands recovered, together with the benefit of the taxes to be imposed upon lands relieved of periodic floods, would afford an ample security for the loans.

The American Minister at Peking cabled on Jan. 23 to the Secretary of State that the Chinese Government was ready to grant to the American Red Cross exclusive authority to make arrangements for the Huai River conservancy work, this authority to be effective for one year, the amount of the loan to be $20,000,000 and an additional sum later if needed to complete the work. The Chinese Government guaranteed the loan and gave in addition as security the taxes and revenues from the lands benefited in the conservancy area.

A request was also made that the American Red Cross recommend an engineer—preferably an army engineer—of at least five years' experience in the United States on river conservancy of the first magnitude for the post of Chief Engineer, to be appointed by the Chinese Government.

At a joint meeting of the Executive Committee and the International Relief Board of the American Red Cross, at which were present the following members of the committee and board: Gen. George W. Davis, Chairman; Senator Root, Secretary Lane, Prof. John Bassett Moore, Hon. Henry D. Flood, Chairman of the House Committee on Foreign Affairs; Mr. Seth Low, Mr. John Barrett, Mr. James Tanner, Surgeon Gen. Stokes, Mr. B. N. Baker, Mr. Franklin Roosevelt, Assistant Secretary of the Navy, Miss Boardman, and Mr. Bicknell, the matter was thoroughly discussed, and the Department of State was requested to cable to the American Minister at Peking regarding the proposition of the Chinese Government that the Red Cross is a humanitarian and philanthropic organization, and under the terms of its charter cannot extend its functions to commercial or business enterprises; but that it was prepared to name an engineering corporation of the highest character and responsibility to take up at once with the Chinese Government the terms and conditions upon which such corporation would provide funds for the conservancy work. The Red Cross requested that the Chinese Government would appoint a commissioner, fully empowered to frame and sign a proper contract for the work.

The American Red Cross agreed, in case the Government of China makes the necessary contract, further to use its good offices to secure a competent and experienced engineer preferably an army engineer, who shall be approved by the Chinese Government and the contractor for appointment by the Chinese Government as Engineer in Chief, to the end that the conservancy work may be carried on under the supervision of such an engineer, Mr. C. D. Jameson, as general adviser, and under general plans which are to be determined by a board of engineers to be comprised

of the Chief Engineer, the general adviser, and three other engineers, one of whom shall be nominated by the contractor and two to be recommended by the Red Cross for appointment by the Government of China. The J. G. White Engineering Corporation was selected, after a consultation with its officers, as a reliable firm that had done much work for the United States Government, both in this country and in the Philippines. The Chinese Government has accepted the proposition and named as negotiator Dr. Chen Chin Tao, who is already on his way to this country.

The American Red Cross in this matter is acting as a friend for China and is carrying out its duty for the prevention of the famines which cause such terrible suffering. The opportunity is given to America to aid China in this great humanitarian undertaking and to do an honest and efficient piece of work without injury to the integrity of that country.

MABEL T. BOARDMAN.

Washington, D. C., Feb. 6, 1914.

THE J. G. WHITE ENGINEEING CORPORATION TO SOLVE THE PROBLEM.

It has been officially announced by the American Red Cross that the Chinese Government has authorized the issue of $20,000,000 of bonds for the future prevention of floods in the Huai River Valley in China, and that The J. G. White Engineering Corporation has been designated to undertake the construction of the Huai River works—a project which is probably one of the greatest humanitarian and engineering enterprises ever known, and the completion of which, it is estimated, will save thousands of lives and millions of dollars annually. The whole enterprise depends upon the ability of the Chinese Government to find a market for the proposed bond issue. It is anticipated that there will be no difficulty in this connection, and the prospect is that American money, as well as American engineers, will be largely involved.

Dr. Chen Chin-Tao is now on his way to America to represent his country in the negotiations, and five distinguished engineers will be assigned to confer with The J. G. White Engineering Corporation and Dr. Chen Chin-Tao, and proceed to China in time to observe the next overflow of the Huai River, which generally occurs in July.

The Red Cross suggested about three years ago that the Chinese Government, instead of spending millions to relieve the suffering caused by the periodical floods which devasted thousands of square miles, should take the necessary steps to make the river keep within its banks. The Chinese thought well of the plan, but on account of the international difficulties involved in raising the money and granting concessions, they would not authorize the work unless the Red Cross would take a general supervising interest. The predominance of the humanitarian feature enabled the Government to turn the entire project over to the Red Cross.

At the earliest possible moment the development work will proceed, and The J. G. White Engineering Corporation will take charge of one of the most important engineering and construction problems in which American engineering talent has been concerned in China. The project includes the reclamation of about 17,000 square miles.

The work will require approximately six years to complete, and employment will be given to about 100-000 men. The project will involve dredging to deepen the channel of the river and the Grand Canal; also the construction of dams and reservoirs to keep the Huai in its proper course, and to impound its surplus water and divert the streams flowing into the Huai, which, at the time of floods, greatly increase its overflow. The Huai River, for the greater part of its length, flows between banks that are elevated above the surrounding country, and in times past the river in overflowing its banks, has changed the geography of an entire Province over night. During one of the flood periods, the Yellow River, which is a tributary to the Huai, switched the location of its mouth a distance of about 700 miles. Government records show that floods in this district have reduced the average number of crops from two in one year to two in five years.

It is the plan of the Chinese Government to pay the principal and interest of the proposed $20,000,000 bond issue from taxes to be levied on the lands that will be benefited in the flood district, and also from rentals and the sale of about one million acres of land, which, it is estimated, will be reclaimed.

Mr. Gano Dunn, President of The J. G. White Engineering Corporation, states that this work offers a task worthy of the highest talent, both from the point of view of engineering and of the model execution of a most important public work, which begins a new era in Chinese development. The J. G. White Engineering Corporation has been designated by the Red Cross on account of its large experience in similar work in America and the Far East, and its ability to raise the necessary funds for a loan through its banking connections in the United States.

THE READ TEA TEST IN COURT

On application of Evarts, Choate & Sherman, attorneys for Carter, Macy & Co., tea importers, Judge Learned Hand of the United States District Court has issued an order citing General Appraisers Brown, Hay and Cooper (designated by the Secretary of the Treasury as the Tea Board) to show cause why they should not be restrained from using the so-called "Read" test in the re-examination of certain teas that have been rejected by the customs authorities at San Francisco.

The court proceeding is a renewal of the activities of Carter, Macy & Co. in the fight against the "Read" test. Last year this firm carried on a very long and expensive legal battle with the Treasury Department, which resulted in defeat. George H. Macy, head of the firm, has repeatedly stated that he was spending his money for the litigation because an important principle was involved, and that he felt he was right, notwithstanding the rulings of General Appraisers and the courts. The Macy firm contends that the Treasury regulation prescribing the use of the "Read" test is unauthorized by law, that it is contrary to the spirit, intent and meaning of the statute, and that it is unfair to the entire tea trade.

On January 5 of this year 44 cases of extra fine Young Hyson teas consigned to Carter, Macy & Co. were brought into the United States at the port of San

Francisco. These particular teas are said to be four times as valuable as the usual run of teas of this class. The examiners applied the Read test and, the inspection having indicated the presence of minute particles of coloring matter. rejected the teas on January 13. An appeal was filed with the General Appraisers, and it is to prevent the latter from conducting its re-examination of these teas in accordance with the Read test that the injunction suit was brought.

The position of a majority of the Tea Importers on this question is set forth in the following document:

MEMORANDUM FROM THOMAS A. PHELAN REGARDING THE READ TEST BY REQUEST OF HON. C. S. HAMLIN.

The Read Test should be discontinued for the following reasons:

1. The "Read Test" is worthless because it does not show the same results twice in succession. Consequently the buyer in Shanghai can never be certain that his purchase there will be admitted here no matter what assurance from chemical experts of the highest order he may have.

2. It is clearly unjust to the importer to force upon him the necessity of taking an illegitimate risk through a test upon which he can not rely for protection.

3. Not only does the Test continually show different results in the number of spots but chemists never agree as to the chemical constituents of the spots exhibited by the test, hence under the supposition that the spots may be Prussian Blue or other coloring matter the merchants goods are detained until he loses his market for which loss he is never reimbursed although the Board of General Appraisers on his appeal should find no color whatever and decide that the supposedly Prussian Blue was no more than clay or other innocent substance blown on the leaves when growing or the natural Green color of the leaves.

4. A conclusive proof that the test is unreliable lies in the fact that a single line out of a high grade chop of Green Tea has been rejected whilst the other several lines have passed as free from color, it being well known to all Tea men that the whole crop of several lines is always fired in the same pans at the same time, and therefore coloring matter could not be put in without permeating the whole chop. Although one line of several lines composing the chop has been rejected the whole number of lines lose their sale having been sold together to arrive at one average price, and they also lose their market through the delay with serious loss to the importer. This disaster has occurred several times hence statistics showing reduced quantity of rejections this season are misleading and do not exhibit the extent of damage done to importers.

5. Any infinitesimal particles not visible to the naked eye should not exclude a Tea under the law as all food must necessarily have some vestige of the soil or environment which cannot be avoided; and when chemists cannot agree upon the particle being color the Test is reduced to absurdity.

6. The Government standards of Green Tea for the present season surpass in perfect purity the most extravagant hopes of the law's authors and any Tea equal to these standards should be admitted without question when tested according to the custom of the Tea trade which was the original intention of the law.

7. Buyers of our country in Shanghai are seriously hampered by the time consumed through the "Read Test." They are called upon to examine frequently one hundred (100) samples per day in order to keep on a par with competitors of other countries yet it is impossible by the "Read Test" to examine safely over ten (10) or fifteen (15) samples and consequently their limited view of the market is a serious disadvantage and causes unnecessary loss of opportunity whilst forcing upon them an illegitimate risk.

8. The Board of General Appraisers have decided that the "Read Test" is illegal because it is not in accordance with the usages of the Tea trade and is not a chemical test. Hence the employment of this experimental and inconclusive test may force a chemical examination causing long delays and losses to the importer which have been found unnecessary hardships and the chemical analysis need be used only when some evidence of color appears to the naked eye which is full protection to all concerned.

9. There are several million pounds of Green Tea on the market of Shanghai now and an order from the Treasury Department to discontinue the "Read Test" and go back to the tests of the trade would protect importers for the balance of the season without risking any detriment whatever to the consumer or the trade.

Respectfully submitted,
(Signed) THOMAS A. PHELAN.

A PETITION FROM THE TRADE.

New York, July 25, 1913.

TO THE HONORABLE WILLIAM G. MCADOO,
Secretary of the Treasury,
Washington, D. C.

Dear Sir:

The Tea trade is in great danger of chaos by reason of the irregular and inconsistent working of the test for color in Green Teas, known as the "Read Test."

The trouble with this test is that it does not show the same results twice in succession, and is therefore worthless, misleading and calculated toCMFWPHYT into unnecessary and severe losses, thereby jeopardizing the success of a year's business.

The Test consists in finding with a microscope how many spots of color are shown on paper by pulverizing a sample of Green Tea and comparing the spots with those shown by the Government Standard of Green Tea. Experience has shown that the buyers in Shanghai find fewer spots than the Standard by the "Read Test," and yet on arrival of the tea, the Government Inspectors find a greater number of spots, and therefore reject the tea to the great loss of the importers.

The reverse is also found to be the case. There is no certainty in the "Read Test," which first leads the importer into serious losses by rejections on arrival of the goods, and secondly causes him great loss by being obliged to forego purchases which are made by his competitors, who take chances of admission, and if successful in having the teas passed by the Government Examiners, can undersell and destroy the business of the firms who were scrupulously obeying the law under the Test.

This uncertainty creates an unnatural and undue risk for all importers and renders their business extra hazardous and impossible, reducing a legitimate business to a game of chance. This was never the intention of the Tea Law, and we petition you to use the power conferred upon you to change this regulation and abolish the Read Test altogether.

Upon a formal hearing before the Board of General Appraisers a decision was handed down unanimously condemning the Read Test as "repugnant to the Tea Act of March 2, 1897," but upon the request of your predecessor, Mr. MacVeagh, the Board reopened the

case and heard further testimony in order to determine whether the Read Test was chemical test and therefore legal. Upon this second hearing the Board held that the Read Test was a mechanical test and not a chemical test, and therefore in itself illegal, but that it might be used as a preliminary step in a chemical test.

This decision creates ambiguity, and the trade are left to the mercy of different examiners who may take different views as to the use of the Test. This ambiguity in practice added to the uncertainty of results obtained from the Test itself, creates such confusion that it is impossible to go on with the Tea importing business, except at great risk of disaster to all engaged in it.

The undersigned importers petition you to use your power and good judgment to the end that the regulations governing the admission of teas into this country may be in strict accord with the usages and customs of the tea trade. We believe that this result can be best accomplished by the abolition of the Read Test.

Respectfully yours,

Arthur Benson & Co., 109 Water St., New York.
The Formosa Mercantile Co., 99 Water St., New York.
per Russel Bleecker, Pres., Daitotei, Formosa.
The A. Colburn Co., Philadelphia, Pa.
E. M. Osborn Co., New York City.
Carter, Macy & Co., New York.
The Anglo-American Direct Tea Trading Co., New York.
H. A. Lambe, Vice-Pres., Representing Wisner & Co., Shanghai.
Winter Son & Co., New York.
Thorn & Crego, New York, Agents for Alexander Campbell & Co., Shanghai.
L. S. Cooper & Co., New York.
G. T. Matthews & Co., New York.
John Emmans & Co., New York.
George C. Cholwell & Co., New York.
Duryea & Barwise, P. S. Duryea, Secy., New York.
Smith, Baker Company, E. R. Smith, Pres., Japan & Formosa.
American Trading Company, James R. Morse, Pres., New York.
George W. Lane & Co., in liq., per Thomas A. Phelan, Pres., New York.
Acker, Merrall & Condit Co., New York.
Wm. P. Roome, Manager, Tea & Coffee Dept., Acker Merrall & Condit Co., New York.
Charles de Cordova, New York.
Charles W. Beebe, New York.
Beebe & Brother, New York.
Jos. Allston Gillet & Bro., New York.
John P. March & Co., New York.
Samuel S. Gillespie, 85 Front St., New York.

SUMMARY OF THE LEGAL ARGUMENT

Carter, Macy & Co. object to the Read Test, not because it is too severe, and not because it prevents importation of even slightly colored teas, but because it excludes imports which neither the Tea Law nor any other conceivable statute was ever intended to affect.

As a matter of fact, however, examinations of Green Teas in former years when they were artificially colored showed that they did not contain any deleterious substances in sufficient quantity to be harmful to the consumer. This is infinitely more the case at present when the teas only contain infinitesimal specks not applied to the leaves. This condition happens continually at present because of the fact that Colored Teas may be freely imported into countries other than the United States, and are accordingly still manufactured by the Chinese, who must use the same pans and other machinery for preparing teas for other markets that they use in preparing teas for this market. In this way, small, indeed microscopic, quantities of color are introduced or accidentally mingled with perfectly uncolored teas intended for this market. The particles of coloring matter have no relation to the leaves among which they are mingled. They are mixed in among the tea leaves as grains of rice may be mixed with grains of Indian Corn or other cereals. The leaves are not colored even when the minute specks adhere to them. At most an occasional leaf is spotted with marks which require the use of a lens to be seen. They are included yet distinct. Such teas, on examination, even under a miscroscope, show no alteration in their natural appearance. They are not improved in the slightest degree, either intentionally or otherwise. They go to the customer for exactly what they are. He cannot possibly be defrauded. The quantity included is infinitesimal compared even with the small quantity used in the intentional coloring process now abandoned in manufacturing teas for this country and which as has already been stated is in itself harmless. The accidentally included color is so microscopic in quantity as to be scarcely detectable by any test and far too minute to injure anyone. Accordingly such teas are not in the class which the statute can possibly have been intended to exclude. They are neither harmful nor deceptive. The mere presence of the trace of foreign matter cannot therefore show that they are in any fair sense inferior to the standard in purity, quality or fitness for consumption.

The difficulty with the Read Test is that it does not perform in any respect the function of the test which should be applied by the Examiners under the Tea Law—that is to say, the separation of good unadulterated teas from bad and adulterated teas. It includes among those classed as harmful or fraudulent products which are neither the one nor the other and to which no reasonable objection can be made. In fact, it very frequently includes the fanciest, most valuable and desirable teas exported from China.

The second fundamental objection to the Read Test is the ease with which under present conditions its results can be improperly affected. As green teas are now prepared for the trade of this country practically none are offered for import which are really colored. Of the mass of uncolored tea which is imported, however, it is probable that there is scarcely a consignment of any size that does not contain at least some packages in which the accidentally included color is present in some microscopic proportion. If the Read Test should be rigidly applied to samples of every package of every line it would probably disclose the existence of some accidentally included color in each. If the examiners should apply the test strictly, and should infer from the presence of color in a single package in any line that the whole line contained color, probably no importation at all would be admitted. It follows that in practice the test must be applied with a degree of laxity or severity which varies in accord-

ance with the character, interest, disposition or whim of the examiner. Outside of all questions of corruption the same examiner might one day admit a consignment after results from the test which on the next day would lead him to exclude a similar consignment. The slightest trace of prejudice, conscious or unconscious, against a particular importer would inevitably lead to more frequent exclusion of his teas than those of his competitors. It is this fact which lies at the base of the destructive uncertainty as to the results of examination which have prevailed since the adoption of the test. Importers whose buyers, known to be capable and honest, have left no stone unturned to purchase only strictly uncolored teas, and who have applied the Read Test itself in the most careful manner before shipment, have been about as likely to have their teas rejected as importers who have taken no precaution whatever. This either reduces the examination to a lottery or to an exertion of despotic power. Neither of these results certainly was ever contemplated by the Tea Law.

JAPAN'S FOREIGN TRADE FOR 1913.

The sum total of exports for last year reaches 630,345,000 *yen* and imports 729,209,000 *yen*, making a total 1,359,554,000 *yen*, the excess of imports over exports amounting to 98,864,000 *yen*. When compared with the previous year, exports show an increase of 105,725,000 *yen* or 20.1 per cent., and imports of 110,495,000 *yen*, or 17.8 per cent., making the total increase 216,220,000 *yen*, or about 18.9 per cent., while the excess of imports over exports shows an increase of 4,770,000 *yen*, or 5 per cent., as may be seen from the following figures:—

	1913 yen	1912 yen	Comparison yen
Exports	630,345,000	524,620,000	+105,725,000
Imports	729,209,000	613,714,000	+110,495,000
Total	1,359,554,000	1,143,334,000	+216,220,000
Excess of Imports	98,864,000	94,094,000	4,770,000

The trade returns between Japan and Korea are as follows:—

	1913 yen	1912 yen	Comparison yen
Clearance	41,113,000	47,705,000	—6,592,000
Entry	24,747,000	17,370,000	+1,377,000
Total	65,860,000	65,075,000	+ 785,000
Excess of clearance to Korea	16,366,000	30,335,000	+3,969,000

The aggregated amount of Japan's entire trade is as follows:—

	1913 To Dec. 30. yen	1912 To Dec. 30. yen	Comparison yen
Exported and clearance	671,458,000	572,825,000	+99,133,000
Import and entry	733,956,000	636,084,000	+117,872,000
Total	1,425,414,000	1,208,409,000	+217,005,000
Excess of Import	82,498,000	63,759,000	+ 18,739,000

MINING REGULATIONS FOR CHINA.

The Minister of Commerce and Industry, Mr. Chang Chien, is at present devoting attention to the framing of regulations which, if adopted, will place the mining industry of China upon a proper basis and permit of development with foreign capital, knowledge, and experience. The so-called new mining regulations which were published some time ago in Peking must not be taken as official. No definite or recently drafted regulations have as yet been adopted by the Government, but those that will become the law of the land will be based on regulations that have been in effect in the past, though the aim of the present Minister is to open the door to foreign capital and assistance. The regulations which were introduced to govern mining before the 29th year of the late Emperor Kwang-hsu limited foreign participation to four-tenths of the capital; those that were put into effect in the first year of Emperor Hsuang-tung permitted foreign investments to the extent of five-tenths, and those framed in the first year of the Republic reduced it again to four-tenths. It is the hope of Mr. Chang Chien to remodel this particular aspect of the regulations so that foreign capital shall have equal opportunities with Chinese, and so that the transference of shares shall be unrestricted.

The four chief points which require remodelling and which will receive attention deal (a) with the ownership of mining property, (b) the extent of mining areas, (c) the tax to the Government, and (d) foreign participation. In the past the owner of surface land had a claim to a substantial share of the profits from mineral development on his property, but that will be amended by the Government claiming ownership, for disposal as it thinks fit, of all minerals beneath the surface, thus depriving the owner of the surface to any claim to the wealth beneath unless he acquires it by virtue of a mining right. Whereas in the past it has been impossible to obtain any more than 960 *mow* of land for mining purposes it is now proposed to make the limit 10 square *li*, or ten times as much as formerly, and instead of the Government demanding a specified royalty from the mining company, proprietor, or promoter, as in the past, a tax will be collected upon the output of the mine. To give an impetus to development Mr. Chang Chien proposes, as mentioned above, that foreign capital shall be given greater facilities: that it shall have equal rights with Chinese capital. He expresses the idea (which he hopes to have embodied in law) that foreigners should be entitled to buy whatever shares they may like on the stock exchange, and it is his intention to establish stock exchanges under Government regulations, which will be open to foreigners and which will be the medium whereby foreigners may obtain scrip in mining ventures as and when they please. So far as foreign participation in the management of a mine is concerned Mr. Chang Chien has an open mind. He does not favor any undue or harassing restrictions being placed upon foreigners who subscribe capital, and so far as he is concerned he has no intention of embodying in the regulations any clause that will prevent foreigners taking part in the safeguarding and proper expenditure of their capital. The control of mining properties will be entirely in the hands of those who secure the mining rights. If a mine is to be developed by the Government the control will be in the hands of the Government, but if development is to be done by a Company then the Company will make its own arrangements as to how far those who subscribe the capital will be entitled to a share in the control. With a view to classifying the minerals of China and the areas in which they abound a Mining Bureau will be established, whose business it will be to attend to this work and carry on a continuous policy of development on behalf of the Government. Already the Minister has had a German mining engineer and a number of students to report upon the mineral deposits of Shansi province, and a similar work will be carried out eventually with regard to each province. The results will be compiled for public use, and it will be the aim of the Bureau to assist the investing public properly to

develop the rich resources that are now practically untouched.

That Mr. Chang Chien may succeed in introducing a broad minded policy of development will be sincerely wished by all who have in the past suffered from the irksome restrictions of the Government and the opposition of the people. Mining has been kept in check deliberately despite the fact that through its means the wealth of the nation could easily be multiplied a thousandfold, but since Mr. Chang Chien has demonstrated in his own home districts that he is far-seeing enough to realise the great advantages of modern machinery—for he has established many industries equipped with foreign manufacturing plants—there are grounds for believing that he will use every endeavor to bring to China the best that is available both in the matter of men, money and machinery for the establishment of her most important and most shamefully neglected industry upon a basis commensurate with her financial needs and vastness. It will be deplorable if at this stage of China's history the Cabinet does not see eye to eye with Mr. Chang Chien. They are officials who are responsible for a final decision making for the adequate opening of industrial avenues to foreign capital, and without foreign capital and brains no proper industrial development can take place. So much depends upon the results of mining that it is impossible for foreigners, who have long learned what the chief source of wealth is, to understand the process of thought of the Chinese when they bar the way to the employment of the capital and energies of men who have the knowledge and experience which will best serve their country at this important period of her existence.

AT THE END OF THE YEAR

From the *Far Eastern Review.*

By the time this issue is in the hands of readers the year 1913 will have passed into the limbo, and, it is to be hoped will have carried with it all the evil influences which are believed by the superstitious to be attached to the number 13. When 1913 dawned it threatened to be a deplorably bad year for China. The international bailiffs were alleged to have been waiting for a chance to slip into possession, and pessimistic publicists unreservedly proclaimed a declaration of bankruptcy to be inevitable. Terrible as have been the financial straits of the Government it has managed to weather the year, and the bailiffs are still without. How desperate the needs of the country have been, however, were disclosed in the Government's financial statements published in the last issue of the *Review*, and it is regrettable to realize that the new year comes without any practical diminution of the difficulties. In fact they have been intensified by a fatuous rebellion which has brought incalculable misery to hundreds of thousands of people and added immensely to the obligations of the State. China staggers under a gradually swelling load of loans, and that burden will have to be increased before it can be lightened. Every provincial treasury is still in a state of poverty, and the Central Government scarcely knows where to turn to find the ready means necessary for administrative purposes and for the settlement of debts due to foreign lenders. What the actual claims against the Government are no one can authoritatively say. In addition to foreign and domestic loans of which the public are aware, there are numerous short term obligations of indefinite amounts. The Government itself set down its requirements for 1913 as $646,350,000, while from October 1912 to June, 1914 a sum of about $216,000,000 was needed for the repayment of principal and interest of loans other than railway loans, $150,000,000 being for the repayment of long-period foreign loans and indemnities. The reorganization loan of £25,000,000 provided the wherewithal to dispose of varied claims, but at the same time enhanced the difficulties of the country, as borrowing to repay borrowed money must always do, especially if adequate supplementary contributions are not being received from sources such as properly controlled and systematized provincial taxation.

From the end of 1911 to November 1913, the provinces contributed to the Central Government a paltry $2,600,000, but there seems a probability that 1914 will witness a marked change in this direction. The President has been able by the suppression of the rebellion to consolidate his power in the provinces, and if the statements which he has made from time to time since he found it necessary to deprive the Kuo Ming-tang members of their seats in Parliament are to be taken as a criterion he is genuinely desirous of lifting China from the slough in which it has been wallowing since the Revolution of 1911-12. He has been able to place men upon whom he can personally rely in command of the various provinces, and with a reorganization which he declares he will inaugurate should come a proper collection of taxes and a steady flow of revenues into the treasury of the Central Government. Until revenues do come in, however, the Central Government cannot be said to be controlling the country, nor can any hopeful view be entertained that China will emerge from her financial entanglements with what are described as her "sovereign rights" intact and secure from the control of creditors who have loaned great sums to the Government and who are being called upon for still further assistance. Negotiations have been proceeding for some time with the representatives of the Quintuple Group for another large loan, but even if an agreement were negotiated forthwith the state of the money markets of Europe is likely to preclude any large flotation for months to come. This one fact may be a Heaven-sent boon to China, for she will be compelled to put her house in order if she is to stave off the overshadowing foreclosure which has been the cause of so much anxiety to those in whose hands the reins of government are for the time being resting.

In the statement of the Government's policy published in our last issue several proposals were outlined for raising additional revenue, and the one point that was emphasized was that no foreign loan should be floated for administrative expenses. How long this intention can be adhered to remains to be seen. To meet a deficit of some $70,000,000 and also to provide further funds for Treasury purposes, proposals for the imposition of new taxes, a reduction of administrative expenses, and the raising of a domestic loan were elaborated, and while the estimates under the heading of new taxation seem to many to be doubtful of realization the Cabinet itself is convinced that the major part of the sum of $210,000,000, which they name as derivable from fresh taxation, can be secured. Mr. Liang Chi-chiao, who was largely instrumental in framing the General Policy, was able to reply to many

critical questions in a distinctly optimistic vein. Any matters involving consideration of foreign interests, such as the proposed transit tax, would, he said, be discussed with the foreign elements concerned, and he had no doubt that all foreigners wishing well to China would assist her at this time by aiding in the rehabilitation of her finances. As for the proposed new taxes which would affect the people of China he felt that they would not be objected to, and that as soon as provincial officials loyal to the Central Government were installed they would be able to enforce whatever measures the Government might introduce. The Marriage Tax (estimated to yield $3,000,000) would be a nominal charge for a certificate; the Stamp Tax ($5,000,000) would be cheerfully paid as soon as it was understood; the Weights and Measures Tax ($20,000,000) had been tried in the three Eastern Provinces and would gradually be accepted in the other provinces, and as for the Income Tax ($10,000,000) it would mainly be collected from the salaries of officials by deduction. An interesting fact mentioned by Mr. Liang was that the Government intended to try to adopt the National Bank system of America in connection with which the Government proposed to make a strenuous effort to redeem the hundreds of thousands of depreciated bank notes either by retaining and destroying all notes paid in as taxes by exchange of silver for notes at their market value, or by the outright purchase at a low rate with notes on the National Bank, branches of which institution would be established throughout the provinces with a head office in the capital.

THE MARITIME CUSTOMS.

The Government has talked considerably of employing the best talent in the work of reconstruction upon which it declares it has embarked, and evidence is awaited that this is being done. Whether or not proper foreign help will be enlisted is a moot point. It should be. The one bright spot in the financial gloom is the magnificent work done by foreigners in the Maritime Customs, and if the Chinese fail to awaken to the import of the lesson which the foreign control and administration of this splendid organization teaches, even their best friends must be driven to confess that there is no hope. Despite the travail through which the country has passed the Maritime Customs has been conducted in such a manner that its organization has not become impaired in any way by local disturbances or conditions. Its collections in 1912 constituted a record. The year was one of grave concern to all commercial agencies, and politically there was chaos throughout the length and breadth of the land. And yet the Customs collected Haikwan (Customs) Taels 39,970,000, an increase over the previous best year of Tls. 3,800,000. That highly satisfactory result was a surprise to all who felt the acute pinch due to commercial dislocation, but it was a remarkable testimony to the vitality of China. It demonstrated beyond cavil that in the face of internal turmoil foreign trade flowed steadily and that carefully regulated safeguards over the revenues collected ensured their passage along the proper channels for full use in the interests of China. A similar story is repeated this year. There has been another outbreak of a serious kind; trade has received no encouragement such as can be expected from peaceful times, and, yet, the collections by the Customs are greater even than last year. The returns telegraphed to the Inspector-General at Peking show that a total of Tls. 43,960,000 (or at exchange 3/05⅝ = £6,708,470) were collected, being an increase of Tls. 4,000,000 over that of 1912. In the two years of the Republic the revenue from the customs has thus increased by more than Tls. 7,500,000. This year they have been sufficient to meet the payment of all loans for which they are security, as well as the entire Boxer Indemnity charge for the year 1913.

This result eloquently speaks of the great possibilities for economic development which reasonable peace and even a modicum of progress in internal organization would secure. The history of the Customs proves merely that honesty is the best policy for a State as it is for a man. There has been a steady increase in foreign trade, and the country has received the benefits from it by proper safeguards being placed upon collections. And the country will receive the benefit from all expansion so far as the Customs are concerned, a benefit which will be somewhat enhanced if the tariff is made, as is being requested by China, an effective five per cent. But the point is that China could, if she would, apply a system to other affairs similar to that which has made the Customs the splendid service it is. On the authority of one who is competent to speak from knowledge of China's conditions foreign administration is not needed so much as foreign assistance. In the salt and other revenue-producing services adequate account keeping, publicity of returns, and foreign guidance in various centres is all that is required. Revenues would thus be diverted from the pockets of people unentitled to them to the coffers of the State. The experience of the Customs is that control of receipts is the chief requisite. The system of administration of most of China's revenue collecting services is virtually effective enough. Administration by foreigners is not necessary. Assistance to systematize and check receipts are the primary needs, and by adopting these China could quickly demontrate her ability to pay her debts and be independent of foreign loans for general administrative purposes.

THE SALT GABELLE.

To a large extent this is already being discovered in the Salt Gabelle. Collections from that potentially rich service had dwindled to a mere bagatelle so far as the state was concerned. As security for the Reorganization Loan it was severely criticized as inadequate. Thousands of people unentitled to revenues were pocketing the receipts. The Central Government was getting virtually nothing. The advent, however, of Sir Richard Dane, as Adviser, combined with the appointment of Mr. Chang-hu as head of the Gabelle, has been responsible for striking results. Mr. Chang-hu has had ripe experience in China of the systems in vogue in several of the salt-producing districts, and Sir Richard Dane has had unique experience with the salt administration of India. Both brought to their task of reorganization in China most excellent talent, and already the fruits of their efforts are being gathered by the country. As the salt revenue is the security for the Reorganization Loan of £25,000,000 and other smaller obligations it is worthy of brief mention here what has been done during the past few months. In January last a Chief Inspectorate of Salt was established, consisting of one foreign and one Chinese Inspector-General and one Chinese and one foreign Deputy Inspector-General with staffs to carry out the routine work. The salt-producing districts in China were divided into ten, viz., Manchuria, Changlu, Shantung, Liang-hwai, Liang-chi, Fukien, Kwangtung, Szechuan, Ho-tung (Shansi) and Yunnan, and at each district head office a district inspectorate is to be established with one Chinese inspector and one foreign co-inspector in charge of the working staff. In April last, District Inspectorates were created for Manchuria, Changlu, Shantung, Liang-hwai, Liang-chi and Fukien, and later on similar organizations were opened in

Kwangtung and Ho-tung districts, while Yunnan and Szechuan are now in course of establishment. The various inspectorates which have taken up their duties have entered into the very difficult work of straightening out an almost impossible entanglement in which the rights of the Government have been lost to view by many individuals whose chief idea of salt gabelle revenue is that it has been forgotten by the Government and therefore may be collected and utilized for their special benefit. This is one of the grave evils of the Revolution, and to compel the voluntary rendering unto Caesar that which belongs to Caesar is the chief difficulty of the Central Government at the moment. But it is gradually being done, and the various inspectors deserve every credit for diverting the flow of revenue—if only partly from illegitimate courses into the proper channels. Substantial collections have been made. Each inspectorate is held responsible for the revenue. They are to collect taxes, make deposits and proper disbursements, audit and report the accounts and make up statistics. Since May 21 last, on which date the Quintuple Loan bonds (which are secured upon salt revenues) were first issued the Government has done much to improve the organization, and substantial revenues have been deposited in the various banks in accordance with loan agreement. Between May 21 and the end of September, Tael 3,423,000 and Mex. $9,447,000 were collected, and on December 18 the total holdings by Group banks was approximately Taels 4,370,000. This result must be regarded as highly satisfactory when it is remembered that reforms have not yet been thoroughly introduced. Sir Richard Dane has travelled and reported upon the Manchurian, Shantung and Chang-lu salt administrations, and will act similarly with the others. In so far as actual reform of taxation is concerned it will be gradually introduced, the system to be adopted being collection of taxes at the salt-producing districts. This system will be introduced at Changlu, and to facilitate matters the salt-producing and salt-consuming sections of the country will be converted into two divisions. The first division will comprise the salt-producing districts of Fengtien, Chihli, Shantung, Shansi, Kansu, Shensi and Hwaipei in Kiangsu, and the salt-consuming districts of Kirin, Hei-lung-kiang, Honan and northern Anhui; and the second division will be the salt-producing districts of Hwainan in Kiangsu, Liang-cheh, Fukien, Kwantung, Szechuan and Yunnan, and the salt-consuming districts of southern Anhui, Kiangsi, Hupeh, Hunan, Kwangsi, and Kweichow. The old system of tax collection will be continued in the second division until July next, the tax imposed being $2.50 on every hundred catties of salt, but in the first division it will be $2 per hundred catties. The collection of the tax shall be completed in one payment at the place of production without regard to the destination to which the salt is transported, and no further taxes shall be levied. For the purposes of taxation scales, weights and measures are to be standardized, but pending their promulgation, the "Ssuma" scales will be used. By the scales 16.8 ling equal one catty; 100 catties equal one picul, and 16 piculs equal one English ton. The provisions of the regulations briefly referred to above are to be carried into effect in all the provinces of China in which salt is produced or consumed, excepting Mongolia, Chinghai, Sinkiang (New Dominion), Tibet and Leased Territories, which are considered as special districts. The activities along reform lines are distinctly encouraging and indicate that the Government is earnest in its efforts to place this valuable source of revenue upon a sound foundation, and now that the President is centralizing the power of the Government there is every reason to suppose that progress will be real if political factions can be persuaded that what is being done is for the best interests of the people.

It is of interest to note that at the end of the year $9,000,000 from salt revenue had been lodged in the Group banks, $1,000,000 of which came from Kwangtung province.

"STARVING CHINA'S RAILWAYS."

The following is a free translation of a letter that we have received from the Premier, Mr. Hsiung Hsi-ling:—

In the FAR EASTERN REVIEW recently appeared an article criticising the administration of the Chinese Government Railways. This article had special relation to the provision of additional rolling stock. The Government recognizes that the extension of all railway traffic depends mostly upon the provision of sufficient cars; that may be termed a fundamental requirement.

Of late in regard to any application for the provision of extra cars the Government has done its best to comply therewith except when the request has come at a time of financial stress.

Since the establishment of the present Ministry the revenue raised from the different railways during the first and second years of the Republic for the purchase of extra cars has amounted to over $15,000,000, which is double that raised in the time of the Yen Chuan-pu; still there appears to be an insufficient number of cars to meet the requirements of the traffic. The reasons for this are:—

(1). The lines are constantly being extended and the cars cannot keep pace with this growth.

(2). The transport of soldiers and military supplies occasions delays to ordinary merchandise.

It is impossible at present to devote more money than is being allotted as shown above for the purchase of additional cars, as otherwise it would be difficult to make the necessary repayments of interest and capital on foreign and domestic railway loans. Other departments are in need of money, and if additional amounts were demanded for purchase of cars difficulties would be created.

The FAR EASTERN REVIEW also suggested that the Government relied wholly on the revenue from the various railways under the Board of Communications for revenue for general purposes. This is not so, although the Government was sometimes in need of railway revenues for other purposes. The Ministry of Finance does not help the Board of Communications to the extent of one cash; how then can the Board get money to meet other demands than those for railway requirements?

Table showing the extra purchases of cars by the Government Railways for 1st and 2nd Year of the Republic:

	1st year	2nd year
Peking-Mukden Railway	$ 787,540	$ 670,000
Peking-Hankow	$4,082,300	$1,570,303
Tientsin-Pukow	$1,767,070	$ 158,100
Cheng-Tai	$ 340,000	$ 600,000
Tao-Tsiu	$ 26,061	$ 168,000
Kuang-Chu	$ 503,700	$ 508,241
Chi-Shang	$ 818,667	$ 465,400
Chu-Ping	$ 120,000	$ 42,000
Peking-Kalgan	$1,150,000	$ 540,000
Shanghai-Nanking	.....	$ 978,800
Grand Total		$15,294,182

FAR EASTERN REVIEW

ORATIO NELSON LAY, C.B.

A Pioneer of British influence in the Far East.

BY JOHN KING, K.C.

In these days of "the awakening of Asia" and of the enormous trade between this western continent and the Far East, it is well to remember who were its pioneers, or, if not pioneers, who bore a great part in opening the closed gates of the Orient to the commerce of the world. The subject of this article was one or other of these, if not both.

His career is an interesting one. And none the less so because it is part of the old tradition of English love of adventure, zeal for patriotic public service, and of that virile influence of the English-born which has spread to the ends of the earth, inspiring and controlling the forces that make for a higher civilization. It is the story of a courageous, high-minded, self-reliant English boy leaving the public school of his Island home, and sailing away eastward to become a distinguished servant of the Crown in China, a loyal and powerful friend and ally of British interests there, the negotiator of the famous treaty of Tientsin, the creator and organizer of the Imperial Maritime Customs service of that great Empire, "a forgotten hero," as he was once called by a leading London journal, and a man to whom Britain and the British and American commonwealths are largely indebted for their growing commerce over Eastern seas.

The late Horatio Nelson Lay came of an old English family both on his father's and his mother's side. He was born in London, England, in 1832, the eldest son of George Tradescant Lay, (called *Le tae Kevo* by the Chinese), H.M. Consul at Amoy, by his wife Mary Nelson, of King's Lynn, Norfolk, a descendant of the family of the great admiral. George Tradescant Lay's father was a naturalist in the employ of the British Government, and was attached to Sir Hugh Gough's expedition to China in 1842. He was present in H.M.S. *Blonde* at the battle of Woosung River, where the defeat of the Chinese opened the way to the capture of Shanghai, and was wounded in the face by a shot which killed an officer standing at his side. After the treaty of Nankin in August, 1842, British consuls were for the first time appointed at all the open ports, and Tradescant Lay had the honor of being one of the five gentlemen selected to fill these positions. He was stationed first at Canton and subsequently at Amoy.

While his father was still at Amoy, Horatio Nelson Lay was, at the early age of ten, a pupil at the well-known residential school at Mill Hill in Middlesex, England. The correspondence which he had with his father in those schoolboy days shows that he perused with avidity the letters received by sailing ship at long intervals from the Far East. These were full of descriptions of Oriental life and manners, interspersed with notes on natural history, and wise advice as to study and conduct. The pen pictures of the strange land and its myriads of strange inhabitants, who looked with no friendly eye on the foreign intruders, appealed to the boy's imagination and bred a restless desire to throw off the restraints of English school life and see the world. A published history of Mill Hill describes an escapade of young Lay and some of his school fellows, which, though not very culpable in itself, shows the adventurous spirit of the lad, and that the lure of the East had already taken hold of his heart.

In 1846 the hope that his father cherished of watching over his son's initial career in the East was frustrated by the father's death. At the age of fourteen young Horatio left the class rooms of Mill Hill to become a student in their own country of the language and institutions of a people upon whose intercourse with the outside world he was destined to exert a far-reaching influence.

The task which confronted him was not an easy one, and might well have daunted a youth of less courage and determination. The mastery of the Chinese language is peculiarly difficult. Being monosyllabic, the slightest difference in inflection of the voice produces an entirely different character; each word is uttered by a single movement of the organs of speech, and expresses in itself a complete idea. The emphasis or accent of many of the words may be varied by the speaker in four or five different ways so as to produce a corresponding variety in their meaning. "For a long time," said the *Times* newspaper, in one of its leading articles, "neither Germany nor England could boast of any eminent Chinese scholars, and the very name of *sinologue*, which sounds quite natural in French, remained without a counterpart in English and German." And Mr. Lay, who ultimately became one of the foremost sinologues of his time, both in the Mandarin and Cantonese dialects, was accustomed to say that it required at least seven years to become proficient in the language.

It was not so, however, in his own case. Although he seems to have had a genius for the acquisition of languages, he was also fortunate in his tutor, the celebrated Dr. Gutzlaff, under whom he studied assiduously for three years. At the end of that time he obtained an appointment in the British consular service in China as interpreter. In this capacity he in the same year, 1849, accompanied a mission in a United States sloop of war to Japan, which was successful in securing the release of some shipwrecked American citizens who had lain in the Japanese prisons for a term of three years. At a later period in his career he undertook a second mission to this "England of the Orient," so proudly termed by one of its ruling class, and negotiated the first Japanese loan and government concession for railways and railway construction which threw open the interior of the Flowery Kingdom to the people of the West. In 1851 he was appointed interpreter in the Cantonese dialect to the Hong Kong Magistracy. In 1852 he became successively Assistant in the Consulate at Canton, second Assistant in Superintendency, and Assistant Chinese Secretary. In 1854 he was appointed Vice-Consul at Shanghai at the age of twenty-two, an unprecedented promotion.

In the same year the system of a Foreign Customs Inspectorate originated at Shanghai, in an attempt to remedy long standing grievances and irregularities connected with foreign trade. Each of the European consuls agreed to appoint an inspector to supervise the customs. The first British nominee, Mr. (afterwards Sir) Thomas Wade, vacated the post at the end of a year, and the "Boy-Consul," as Mr. Lay was called, was appointed in his place. By the withdrawal of the representatives of other nations, he soon found himself alone—the victim of persistent abuse and misrepresentation, both of himself and of the system of customs administration which he was teaching to the native authorities. He had not only to combat the prejudice of the Chinese but the active hostility of Europeans, whose illicit business had flourished in the previous state of anarchy, and who contemplated with alarm the instruction of the Chinaman

and the strict enforcement of reciprocal treaty obligations. The Chinese officials watched with extreme jealousy the course of the young foreigner. They could not understand that he could be honest and just in his dealings with them. The Chinese Governor-General of the Province was astonished at the industry and zeal displayed by the Inspector and his staff, and at the admirable results obtained in this Department, while peculation and disorder everywhere pervaded the affairs of the Provincial Government. Still cynical as to Mr. Lay's honesty, a well laid if somewhat clumsy plot was concocted to entrap him. The sum of £30,000 was placed in his hands for the purchase of a war steamer, and, when the transaction was postponed, the Taotai declined to take the money back. At the end of two years he affected to have forgotten all about the incident. Finally Mr. Lay was blandly invited to consider the money his own, on the ground that he had saved the Exchequer many times that amount. The Inspector of Customs of course insisted upon the money being returned to the treasury, whereupon the authorities were constrained to confess that these funds had been left in his hands as a bait and temptation to test his probity. "O," said the Taotai, "I have had two men watching you and that money for years, by day and by night. It is our custom, but you have shown that your heart is sound, and hereafter you shall be trusted with everything."

From this time forward Mr. Lay's influence with the Chinese officials rapidly increased. They became anxious to make use of his services in a larger sphere, and in 1859 he was appointed the first Inspector-General of Chinese Customs. In 1861 the Imperial Council of Regency officially recognized his Inspectorate as a Department of the State in a commission which was curious as being the first addressed to a foreigner since the days of Marco Polo. All the open ports were embraced in this Commission, and were placed under his jurisdiction. Mr. Lay as Inspector-General received a salary of £4,000, and he appointed a number of gentlemen at salaries of from £1,500 to £2,000 to hold the important posts of Commissioners of Customs. One of these appointees was Mr. (afterwards Sir) Robert Hart, who became in time his official successor. These Commissioners and their subordinates were selected from the various nations having relations with China. They were under the absolute authority and direction of the Inspector-General, the Chinese Government having undertaken not to interfere with their appointment or control.

The institution and development of the Foreign Inspectorate of Chinese Customs is one of the most important episodes of European relations with the Empire of China. It was really the turning point of outside intercourse with the Government of many millions of people; the means of making the officials of Pekin recognize the value of the commerce of other nations as a source of prosperity to the Empire, and the basis of future reforms and a more advanced civilization—the steamship, the railway, and the telegraph. "The foreign merchants," said a writer in *Blackwood's Magazine*, "as well as their partisans in England, contracted a notion that the Foreign Inspectorate was intended simply to enforce regulations and restraints against Europeans. They were wrong. It was far more effectual in restraining the Chinese from infractions of the laws, honesty and of treaties; it was a most potent agency for introducing to the minds of the Chinese governing classes western ideas and practices, political and moral as well as commercial; and was a perfect guarantee against any more Chinese wars with Europe."

In contrast with the comparatively tranquil progress of trade relations which prevailed at Shanghai, commerce with foreigners at Canton had been marked by continuous acts of tyranny on the part of the Chinese authorities. These culminated in 1856, in the insult to the British flag and the second Chinese war. Realizing the necessity at this juncture for the presence in China of a statesman of the first rank, the British Government despatched Lord Elgin (afterwards Governor-General of Canada and the father of a recent Colonial Secretary) as H. M. Ambassador to China. The Indian Mutiny diverted the force accompanying him, and he did not reach his destination until 1858. On April 9th of that year, he addressed a letter to Mr. Lay in which he said: "It would be very satisfactory to me if you could make it convenient to accompany me in the *Furious* on my present expedition to the North, as I consider that your acquaintance with the system of the Chinese Customs House and your familiarity with the language would be of material assistance to me at this juncture."

Mr. Lay accepted this appointment, and was attached to the Embassy as joint Chinese Secretary along with Mr. Wade. At Tientsin Lord Elgin entrusted him with the negotiations with the Chinese Imperial Commissioners, and the arrangement of the basis of the Treaty to be entered into between the two Governments. The minutes of the interviews with the Chinese Imperial Commissioners were forwarded to the Foreign Office, and published in the *Blue Book* containing the official reports of his Lordship's mission. From this we learn that the negotiations at first threatened to end in failure owing to the obstinacy of the Chinese, and it appears that Lord Elgin had abandoned all hope of a treaty. He had decided to appeal to force of arms, and was on the point of issuing orders for the purpose when his Chinese secretary said: "My Lord, give me a last chance; send Frederick Bruce with me, and, as I know Chinese, when I put my hand on the table let him do the same, and I guarantee your Lordship I will make them sign the treaty." "Mr. Pacificator," said Lord Elgin, "you shall have your way." They went. Mr. Lay brought back the treaty signed, he himself being one of the signatories. Lord Elgin took him into his private room, grasped him with both hands and said: "Lay, you have saved me. I must have declared war if this had not been done. Command my services when you come to England." Lord Elgin's death a few years later deprived Mr. Lay of the good offices of his distinguished friend.

The protocol obtained by Mr. Lay from the Chinese Commissioners was forwarded by Lord Elgin with his despatch, dated 14th June, 1858, to the Earl of Malmesbury (then Foreign Secretary), and is referred to as "the fruit of the communications which have passed between them (the Imperial Commissioners) and Mr. Lay, and it informs me that they are prepared to concede the greater part of the demands which I have preferred on behalf of the British Government." And in a subsequent despatch of the 18th June, 1858, in narrating the negotiations in detail, his Lordship says: "I felt confident that the Commissioners would never be brought to understand clearly the nature of our demands, or to appreciate the gravity of the situation in which they were placed, until they were brought directly in contact with some person thoroughly well informed on all the questions at issue between the Governments, and able to speak the Chinese language fluently. In both respects Mr. Lay's qualifications are of the highest order, while the fidelity with which he has discharged the duties of Inspector of Customs, on behalf of the Chinese Government at Shanghai, gives him a claim to the confidence of the Chinese officials, greater than, perhaps, any other European possesses. I therefore at once acceded to the request conveyed in the letter of the Imperial Commissioners, to which I am referring, and sent Mr. Lay to wait upon them. My despatch of the 14th instant contains the translation of that letter, and copies of the reports of his successive interviews with the Imperial Commissioners furnished by Mr. Lay."

The Treaty of Tientsin was signed June 26, 1858. It stipulated, *inter alia*, that the Queen of Great Britain might appoint diplomatic agents to the court of Pekin, who should be allowed to reside at the capital, where also her Majesty might acquire residential properties for her representatives. This article in effect provided, that the Ambassadors of Great Britain, France and the United States should live permanently at the chief seat of Govvernment, and hold unrestrained intercourse with the Imperial Ministers: a wise measure, on the part of the treaty-maker, which guaranteed Europe and America against a retrograde policy at Pekin. The Christian religion was also to be protected by the Chinese authorities, and British subjects were to be allowed to travel for pleasure or business to all parts of the interior, under passports issued by their consuls. British merchant ships were to trade freely upon the Great River (Yangtze); but, as its lower valley was disturbed by outlaws, the opening of the ports, except Chin-keang, was to be deferred for a time, and Chin-keang was to be opened in a year from the date of the treaty.

By this treaty the vexed question of transit dues was also settled. It was agreed that the British merchant might purchase at the rate of 2½ per cent. *ad valorem* in the case of imports at the port of entry; and, in the case of exports, that he might purchase a certificate enabling him to pass his goods, duty free, to the port of shipment. By a separate clause the Chinese Government agreed to pay two million taels (about £650,000) as indemnity for losses sustained by British subjects at Canton, and a like sum towards the expenses of the war which closed a month previous with the taking of the forts at the mouth of the Peiho.

Upon the return of the Embassy to Shanghai the negotiations connected with the trade regulations and tariff devolved upon Mr. Lay. Lord Elgin, as well as the Chinese Commissioners, charged him specially with the revision of the Tariff of Duties on Imports and Exports. This labor entailed three months of close application. The old Tariff comprised 109 articles of export and import, whereas in the new tariff Mr. Lay tabulated 177 articles of import, and 174 articles of export. The tariff, as drawn by him. was accepted by all the four Governments concerned, namely, British, Chinese, French, and the United States. This tariff has never been called in question, and, except as to changes in regard to opium, remains in operation to this day. It is thus the basis on which rests the colossal China trade, not only of Great Britain and of the over-seas Dominions, but of every country in the world.

The following letters will show the opinion which Lord Elgin placed on record of the services which Mr. Lay had rendered, as well as the confidence reposed in him by the United States and French Ambassadors:

Writing to the Earl of Malmesbury, Lord Elgin said in part: "As regards Mr. Lay more especially, who is, I beg to remind your Lordship, not a paid servant of H. M. Government, I feel it difficult to express in language sufficiently strong, my sense of the extent to which we are indebted to his tact and moral influence with the Chinese for the success of our negotiations both at Tientsin and Shanghai"

In a letter of date November 6th, 1858, from the United States Minister, Mr. Reed, to Lord Elgin, the writer says: "I beg to testify, through your Excellency, my grateful sense of the kindness and cordial co-operation of Mr. Horatio N. Lay, who, though not now, as I understand, connected with your Excellency's staff, is a gentleman in whom I am sure you take an interest. There are many reasons which will occur to your Excellency why I should express my feeling on this subject, and thank Mr. Lay for the aid he has rendered me in this preliminary conference at Shanghai. No one can hereafter do more executive good in 'moralizing' the commercial relations of their Empire than Mr. Lay, and I sincerely trust under no circumstances may be withdrawn from this distinguished function of rendering service to the Chinese, to his own countrymen, and, according to my clear view of their true interest and duties, to mine."

On the same date the French Minister also wrote: "I beg your Excellency to have the goodness to thank Mr. Lay and Mr. Wade, who, in the new arrangements to be made, have taken into consideration the remark which I made to them on the articles which most especially concern French interests."

In a joint letter to Lord Elgin, signed by Mr. L. Oliphant, Acting Secretary of Embassy, and Mr. Thomas Wade, Chinese Secretary, the writers, referring to the details of the composition of the tariff, say that they are "bound to state that it is mainly due to his (Mr. Lay's) skill as an interpreter, his experience and general intelligence, that our discussions have been brought to a conclusion which your Excellency, we feel, cannot fail to regard as satisfactory." In his reply to this letter Lord Elgin refers to "the zeal and judgment displayed in the discharge of the important duty," and concludes: "I have to add that I entirely assent to the views expressed by you respecting the value of the services renderd by Mr. Lay at this juncture."

In Walrond's Life and Letters of Lord Elgin there are frequent references to these trade and tariff negotiations, and to the great services generally rendered by Mr. Lay on this Chinese mission which was confessedly a very arduous undertaking. He was spoken of in the English press of the time as "the real negotiator of the Treaty of Tientsin," and Lord Elgin's letters, apart from his official despatches, afford ample evidence of the fact.

In addition to discharging the duties of his position in the Embassy, Mr. Lay was attached for a time to the staff of Admiral Sir Michael Seymour, and acted as the medium of communication and intercourse between the British naval authorities and those of China, during the stay of the Admiral's squadron in Chinese waters. All the supplies for the allied forces, naval as well as military, the safeguarding of the Ambassador and the disposition of the troops at Tientsin, were arranged by him. Sir Michael Seymour subsequently expressed his high appreciation of these and other services which established amicable relations with the inhabitants, and which, he said, were all important, of great assistance to him, and greatly to the advantage of the British Government.

The voyage to and from North China, and the progress of the negotiations both at Tientsin and Shanghai, brought Mr. Lay into close and intimate touch with Lord Elgin. When invited to do so he did not lose the opportunity of urging the very strong views he entertained as to the future of China and of British diplomacy in the Far East. The Chinese were a race whose intellectual capacity was second to none. Their immense resources were equalled by their natural industrial aptitude. But they were ground down by an oppressive and corrupt Mongul Dynasty whose policy was the closed door, and whose only alternative when dealing with foreign nations, where tyranny failed, was procrastination and irresponsibility. The meaning of generosity was unknown to them, and where they were the recipients of kindness they considered it a sign of weakness on the part of those who wished them well. The only way to deal with them was to treat them as children. True kindness and justice could only be meted out to them by the same strong hand which held them in check. The interests of Great Britain in China were paramount among those of other nations, and it would have been gratifying to Mr. Lay's ambitious views as to the part that she might play there, had Lord Elgin elected to serve his country in China rather than in India where he died a few years later.

In 1862, while Mr. Lay was on leave in England, the Chinese Government applied to him to obtain the sanction of H. M. Government for the formation of a naval force for the protection of the treaty ports and the suppression of piracy then rife all over the coasts and waterways of the Chinese Empire. H. M. Government thereupon passed an Order in Council in August, 1863, authorizing Mr. Lay and the late Captain (afterwards Rear-Admiral) Osborne, a distinguished naval officer, to organize a naval force for operation in China. For this purpose a squadron of six vessels was constructed, equipped and brought over to the neighborhood of Pekin, in charge of Captain Osborne and other naval officers lent by the Admiralty from Her Majesty's navy. Upon the arrival of the squadron in China, however, a serious difference of opinion arose between Mr. Lay and the Chinese Government. According to the *Times*, Mr. Lay, "with rare foresight," insisted that if the reorganization of the Chinese Navy was to be really effective, and if satisfactory relations were to be maintained between the Chinese and H. M. Government and the other Governments interested, the European officer in command should be placed only under the orders of the Emperor. This was the original understanding, and it was an arrangement which would not only have fixed responsibility at Pekin, but would have been greatly in the interest of the Chinese themselves. The Emperor's Government, either fearing the influence which Captain Osborne and his officers might thus acquire, or prompted by some jealous subordinate of their Inspector General, were bent upon subjecting the British officers to the authority, in other words, to the obstruction, of the Provincial officials. This would have involved the placing of Chinese mandarins over the European officers on the ships, and would have been obnoxious to the representatives of the other European powers who were adverse to the institution of a force on any such terms. Very much to Mr. Lay's regret, Sir Frederick Bruce, the British Minister at Pekin, did not share his view of the matter. He declined to support Mr. Lay and Captain Osborne, just as some years later his successor declined to support Captain Lang, R.N., when he, too, in his turn demanded a fuller measure of executive and administrative independence than it suited the incompetency and corruption of Chinese officialdom to concede to him. Without the support of the British Foreign Office Mr. Lay saw no alternative than to resign, and this he did at a particularly interesting period, the trust which he had administered with splendid success for five years for the Chinese Government, but always with loyalty to Great Britain. Captain Osborne, who endorsed Mr. Lay's attitude throughout, also resigned, and the flotilla which he had brought out was sent back to Europe to be disposed of. "Thus," said the *Times*, "to the supineness of our diplomacy was lost the first opportunity of compelling the Chinese to adopt an elementary measure of self-preservation."

All this might have been prevented by judicious pressure on the Chinese Government by the British Minister at Pekin. Had this been done the Emperor's Ministers would have been forced to give way, and the reorganization of the Chinese Navy would have proceeded with an experienced European officer in command receiving his orders direct from the Emperor. The squadron would then have been retained under the authority of the Central Government instead of under the Provincial Viceroys, whose actions, if hostile to the European Powers, or to humanity or justice, could have been repudiated at Pekin. The Foreign Office, no doubt, acted upon the advice of the British Minister, who evidently found it easier to sacrifice a loyal servant of Great Britain than to compel the adoption by the Chinese Government of a wise and progressive naval policy. It is difficult to believe that this course of action was even politically expedient; for, according to the leading English journal, it was a diplomatic blunder.

Mr. Lay never returned to the East after leaving China, although inducements to do so were not wanting. His eminent abilities as a sinologue and administrator, and his intimate knowledge and experience of Oriental life and character, peculiarly fitted him for responsible office and government in the Eastern possessions of the Crown. These were recognized by the British Government who offered him the Rajaship of Saramak, a rich province of Borneo which had established extensive trade relations with Singapore and other Anglo-Indian settlements in the East. The offer was declined.

From what has so far been said of Mr. Lay's career, it would appear that, during almost the entire period of his residence in China, his work and service was more or less of a diplomatic character. His office and duties as an interpreter, which were entered upon at an unusually early age, were indispensable for that purpose. The position was that of an international go-between. It demanded exceptional qualifications—not only an accurate knowledge of a language of various dialects, but also astuteness and sagacity in its application to the business or transaction in hand. The history of treaty-making, and of international negotiation generally, exemplifies the mischiefs wrought by blundering interpreters. No such imputation can be made against the man whom Lord Elgin selected from a circle of clever officials to serve him in his difficult embassy to China. Mr. Lay's success in his intercourse with the Chinese Government and people was due, in large part, to his perfect knowledge of the official language of the Empire—the "Court dialect", as it was termed in those days—which was then, as now, the language of Chinese diplomacy. It was this thorough acquaintance with the dialect used in their daily intercourse by Chinese statesmen and high officials and their *entourage*, coupled with his sound judgment, his incorruptible honesty, and his keen perception of the Oriental habit of mind, that secured Mr. Lay the confidence of the great men of the Empire, and established his influence as an intermediary between China and the English-speaking nations of the world.

The effect of Mr. Lay's influence on China, within at least the sphere of British intercourse with the people, was manifest long before he left the country. When in 1846 he landed as a boy on her shores, Chinese jealousy of the foreigner of all nations and especially of the aggressive British trader, was open and undisguised. The mass of the people regarded every Englishman with an evil eye, and the governing class treated him, as far as they dared, as a public enemy. The unfriendly attitude of the Government was known everywhere, and had its counterpart in an extreme degree in the great mass of the inhabitants. In places where foreign residents were few in number and even where they were numerous, a foreigner was constantly exposed to insult and violence; at times he took his life in his hands in mingling, however peaceably, with a Chinese crowd. The sailors who had a day off and went ashore at the ports, and who doubtless were not always discreet in their behavior, were the frequent victims of popular hatred. On one occasion, in the streets of Shanghai, Mr. Lay's efforts to protect a British sailor, who was being brutally maltreated by a mob, nearly cost him his life. His assailants attacked him with knives, inflicting wounds from the effects of which he never completely recovered. There were many such instances of Chinese malignity against foreigners in all the open ports of the Empire.

This species of animosity on the part of the Chinese people, and the enmity, duplicity and treachery on the part of the ruling class, were greatly moderated before Mr. Lay left China. And, while credit is due to others as well, it is but simple justice to him to say, that he was

a most influential agent in initiating and promoting a better internationl understanding and a more conciliatory and friendly relationship between China and the other nations of the world. This he did by inculcating, by precept and example, that honesty and conciliatory methods is the best policy in transactions between the citizens of nations and between nations themselves, and by persuading, as far as possible, all classes in the Chinese communities, and especially the ruling class and those engaged in commerce and trade, that it was in their own highest interests to cultivate and maintain an amicable attitude and friendly relations with the people of other nations.

The truth is, that Mr. Lay was a "Chinese-speaking diplomatist," and the London *Standard* so ranked him. In the opinion of the *Times* he was wiser in his outlook of the future of China, and had a shrewder discernment of her needs as a maritime nation, than the diplomats who represented Great Britain at her Court. Had Mr. Lay's proposed action, with respect to the formation and control of the Chinese naval service, not been thwarted by British influence at Pekin, there is reason to believe that China's misfortunes would have been less disastrous than they proved to be in her conflict with Japan for the mastery of the Eastern seas.

Mr. Lay's relations with the Chinese and his abilities as a sinologue, are referred to in an article in the London *Standard* on "Chinese-speaking Diplomatists." It is there stated that "when Lord Elgin arrived in China in 1857, there were available no fewer than eight gentlemen who had at one time or other discharged the duties of Consular Interpreter at one or other of the open ports." The names of these gentlemen are mentioned and their qualifications reviewed. "Mr. Horatio Lay," it is said, "who had commenced his career in our service, was now in the service of the Chinese, a member of the foreign triumvirate charged with the collection of the duties on foreign trade at Shanghai. . . . Two speakers there were indisputably superior, as speakers, to all their fellows. Mr. Thomas Meadows possessed a curiously accurate knowledge of the Court dialect. He was besides a man of immense erudition; of the most solid attainments, not in Chinese alone. Mr. Horatio Lay had a larger and more available conversance with the Court dialect than even Mr. Meadows. Though but twenty-five years old in 1857, he had already been two years in the responsible position he filled at Shanghai, and his daily contact with the Chinese authorities, to whom his relation was rather that of coadjutor than subordinate, had necessarily taught him much that was scarcely less precious than his exceptional proficiency as a speaker of Chinese.

"With the full consent of the Chinese authorities, Mr. Lay accompanied Lord Elgin to Tientsin, and the significance of his presence as an intermediary between Lord Elgin and the Imperial Commissioners can hardly be over-estimated. The fact that he was officially serving the Chinese Government facilitated, of course, his access to the Commissioners and their Staff; and this alone was an advantage that no foreigner, not similarly circumstanced, could have enjoyed. But no other foreigner then alive could have equally turned his opportunity to account. 'It is a pleasure to hear him speak our language,' said an old mandarin."

Although strictly no part of this narrative, it is a fact of interest in the centenary year of Dr. Livingstone, the great African explorer and missionary, that the *Thule*, one of the ships of the disbanded fleet which Mr. Lay had secured for the Chinese Government, was afterwards used to assist Livingstone in his heroic work in the Dark Continent. The *Thule* had been acquired by the Government of the Presidency of Bombay, and was presented by Livingstone, on behalf of that Government, to the Sultan of Zanzibar. The gift and its mode of presentation was part of a plan to enlist the influence of the dusky potentate for Livingstone in his latest African journey. In the "Last Journals" of his life Livingstone describes his reception at Bombay, the "gorgeous manner" in which the ship, "one of Captain Sherard Osborne's late Chinese fleet," was fitted up for him as the guest of the Indian Government, and the passage of twenty-three days from Bombay to Zanzibar, and he adds: "I was honored by the Commission to make the formal presentation, and this was intended by H. E. the Governor-in-Council to show in how much estimation I was held, and thereby induce the Sultan to forward my enterprise." Lieut. Brebner of the then Indian navy, who was in command of the *Thule*, says that the ship "was handed over to the Sultan in open Durbar at his palace, where all the Europeans, many of the foreign consuls, the British Consul-General, Dr. Livingstone and myself (all in uniform) attended. Shortly afterwards Livingstone and I went on board, hauled down the British colors, and hoisted the Sultan's flag, which was saluted with twenty-one guns by H. M. S. *Wasp*, then in the harbor." The incident throws a curious sidelight on British intercourse with Orientalism.

In 1860 Mr. Lay married a daughter of the late Professor James Legge, of Corpus Christi College, Oxford, the famous Chinese scholar and missionary and a contemporary of Professor Goldwin Smith. In 1862 he was created a Companion of the Order of the Bath in recognition of his public services. He retired from the Inspector-Generalship in 1864, while yet a young man, and returned to England. Soon after his arrival in London he was elected a member of the Reform Club, was offered but declined a constituency in the Liberal interest, and was subsequently called to the Bar in the Middle Temple. His life thereafter was a busy one. He became engaged in financial transactions and investments which had an unfortunate issue, but he never ceased to take a sympathetic interest in the country in whose national life and progress he had been an important factor. Upon all questions concerning China and its affairs he was a recognized authority, and his opinions and judgment were frequently appealed to whenever these became the subject of public discussion. When, a few years before his death, there was a revival of the opium controversy, he published a valuable historical treatise on "The Opium Question and our Relations with China" from 1637 to 1892. It is an interesting and able review of the political and commercial intercourse of the English people with the Chinese Empire, and gives an effective and complete answer to the "statements wholly devoid of foundation," that England had, in her treaties with China forced opium upon an unwilling and protesting people, and had exacted its legalization from the Chinese Government. Taking the official records as the basis of his thesis, the reviewer deals with the whole course of England's relations with China, examining particularly the causes of the wars and the stipulations of the treaties which concluded them. He submitted "proof cumulative and unimpeachable," that neither under the treaties of 1842-43, nor under the Treaty of Tientsin, the treaty arrangements at Shanghai in 1858, or the convention of 1860, in the last three of which he took part, did England impose, or attempt to impose, the introduction of opium upon China. There was no such complaint on record upon the part of the Chinese. It was a recent emanation from a small number of people in England, ignorant of the facts and leaping to the conclusion that because opium was a prohibited article, therefore it must have been forced. England's first war with China did not arise from any such cause, but from her own unprovoked assaults and malignant determination to close her ports to British trade. "The true cause," said the writer, "of our wars with China has been due entirely to the haughty arrogance and exclusiveness uniformly manifested towards us by the Chinese ruling class."

Mr. Lay died in May, 1898, at the family residence, Forest Hill, London. Upon the representations of some of his friends to the Government of the day, that Mr. Lay's services to the nation were deserving of "substantial recognition," his widow was granted a small pension. There was a general feeling at the time that the sum granted was a poor acknowledgement of what an able, patriotic citizen of the Empire had achieved for its interests in the Far East. But it was the only "recognition" of that character which his work in China ever received from its greatest beneficiaries.

The untimely death of Mr. Lay evoked many tributes to his "splendid services in one of the great outposts of the Empire." The *Times*, in its obituary, described him as "one of the pioneers of British influence in China, and, but for the short-sighted jealousy of the Chinese officials, he might have been one of the pioneers of Chinese progress. His consummate ability, his rare foresight, and his incorruptible integrity were admitted on all sides. He laid the foundations of the important service (*i.e.* the Imperial Maritime Customs) which Sir Robert Hart, his then assistant, has since developed." *The Daily Chronicle*, in a leading article, spoke of him, as "one of the forgotten heroes of the British Empire." "The man," said the *Chronicle*, "who negotiated the great instrument on which our Chinese trade was built up, and who drew up the existing tariff, should have an enduring place in English history."

During his career in China, where a number of his relatives still hold important posts in the public service, Mr. Lay encountered Li Hung-chang, the famous Chinese statesman who visited America some years ago. Li, then in a minor office, was one of the most astute and crafty of his race, but he met his match in diplomacy in the sagacious upright Englishman who thwarted more than once his perfidious schemes against the hated "foreigner." Mr. Lay held very different relations with his friend General Gordon, the heroic British officer whose tragic death at Khartoum was one of the many thrilling events in the conquest of the Soudan.

Gordon is not "forgotten" in the honor roll of those who have won homage for his country in those seats of ancient civilization, nor, "if England to her heart prove true," should be the man who compelled, once and for all, "the open door" in China for the trade and commerce of the world.

SEVEN NEW TREATY PORTS

A brief description of the seven cities that were recently declared by the Chinese Government to be opened to foreign trade is given below.

Kueihuacheng is a strategic point in the northern part of Shansi under the control of the Lieutenant-General of Suiyuan and large city located at the outside of the Great Wall. The products of Central Mongolia are principally distributed to Chihli and Shansi through this city. With the completion of the Kalgan-Suiyuan Line, it is expected to make greater development, and when the railway is extended to Shensi and connected with the proposed trunk line, Kueihuacheng will grow to be a great market in the northern part of China. The territory around the town is very fertile.

Kalgan. The place is also called Tungkow, because of its being situated on the eastern trade route passing through the Great Wall, just as Kueihuacheng is known under the name of Hsikou (the Western Port of Trade). It is a very important trading town, being located on the road leading to Mongolia and Siberia from Tientsin and Peking.

The town is divided into three parts,—Shangpu, Hsiapu and Kouwai, the last named section being occupied by Mongolian merchants. It was originally established during the Era of Cheng Teh in the Ming Dynasty—about 300 years ago—for the purpose of dealing in horses. Owing to the large number of cattle and camels flocking in, the town has, unlike any other Chinese cities, side-walks beside a passage for traffic. Its population is estimated at 44,000, of which the natives of Shansi constitute the majority, the people of Chihli, Shantung and Honan making up the remainder.

Dalainor is commonly called Lamamiao and is known as a large market in the northern part of Chihli under the control of the Lieutenant-General of Chaharh. Originally it was a part of Inner Mongolia but during the early reign of the Tsing Dynasty it was brought under the jurisdiction of Chihli.

The city has been looted more than once by Chinese troops, who were stationed there when the Mongolians began to prove rebellious. At present, business is at a standstill, but now that it has been opened to foreign trade its future development as a distributing centre of Mongolian trade is not doubted. The principal products of the region are cereals and domestic animals. In the southeast of the town, there is the famous lama temple, where 5,000 lamas are quartered.

Chihfeng. The town received its name from a red hill standing at the northeast of it, and is sometimes called Hata or Ulan Hata. It is quite a prosperous town possessing a population of over 20,000. During the months of July and August, every year, Mongolians hold a fair here, to which Chinese merchants flock from Chihli, Shantung, Mukden and Kirin. It is said that one-half of the business of the year is transacted within this period. The principal articles of trade are cereals and domestic animals. At present, the town amounts to be an out-of-way mart owing to the lack of communication, but when foreign merchants come to live there it may rapidly grow to an important market.

Taonanfu is a large town located in the fertile valley of Eastern Mongolia. Formerly, it was a small village, but since the establishment of the Prefect Yamen there in Kwang Hsu 31st, it has rapidly grown prosperous, its population now reaching something like 15,000. How important is the town commercially as well as diplomatically can only be judged from the fact that some years ago the United States attempted to connect the town with Chinchow by a railway, whilst now Japan is undertaking to construct a line starting at Ssupingkai and reaching Chihli by passing through Taonan. The town has a police bureau, a post office, the Reclamation Bureau, a chamber of commerce, a telegraph office, besides primary, middle and agricultural schools. During last year, the town was sacked by the Mongolian troops under Prince Utai, but seems to have almost recovered from the damage it suffered. Its future growth is looked forward to as an assured thing.

Lienshanwan. During the year Kwang Hsu 35th, the Chinese Government started to construct a harbor at Lienshanwan with the idea of attracting a portion of Dairen's trade thereto. The port was, according

to the plan then under contemplation, to be connected with a railway extended from the terminus of the Chinchow-Taonanfu Line proposed by the American Syndicate. The Government having decided to spend ten million dollars on the construction of the harbor, Mr. Hughes was engaged as Chief Engineer, and the work was started.

So far as the location of Lienshanwan is concerned, it is ideal, having Chinchow and Yungpingfu, two large towns noted for being the entreports of inland trade, right at its back. Only, as to whether the harbor will prove to be such an excellent one as expected by the Chinese authorities, and will remain free of ice during the winter, opinions vary. How the place having a population of 2,800 will grow up in the future depends altogether upon the character of the harbor, on which China has pinned so much hope.

Lungkou is a small port situated at a place 40 li northwest of Hwangshien in Tengchowfu, Shantung, and renowned for the embarkation point of Shantung coolies. As a harbor, it has no accommodation whatever, while the town itself is made up of one-story dingy houses. Although it is so inconveniently situated that even drinking water and foodstuffs are brought over from Dairen the port is well patronized by coastwise steamers and junks.—*China Tribune.*

THE OUTLOOK BRIGHTENING

The words of Galileo as he was being lifted off the rack —"but she moves for all that"—may serve to describe the recent trend of politics in China. While it is difficult to choose one thing more than another as typifying progress, or to discern a definite result in any given line of policy, the impression prevails that a movement has been made in the direction of centralizing and consolidating authority, and that public opinion grows calmer and more reassured. The recent mutinies in Talifu and Kueiyang sounded unpleasantly, whether they were attributable to want of pay, or, as the officials in the former case averred, to the influence of secret societies. But they have at any rate been effectively suppressed. In all provinces there is evidence of more determined efforts to cope with the too prevalent pest of brigandage, and the number and publicity of executions, however regrettable on some grounds, are measures which the people whom it is desired to impress understand as they will understand nothing else. There need be no fear, we believe, that the Government will fail of clemency where such is feasible. But for crimes of violence, whether committed with a view to political terrorism or for brigandage pure and simple, there is only one means of repression that will produce any effect. Finally, in this province, there appears no doubt that General Chang Hsun, although he still stands upon the order of his going, will go at last, possibly before the New Year comes round. It is regrettable from a Western point of view that money should be the chief agent in his expulsion. But the main thing is that the administration of so complex and progressive a province as Kiangsu should pass to those better fitted for the task. Kiangsu should be an exemplar to other provinces. From it they will take their tone, consciously or unconsciously; and thus it may fairly be said that not only Kiangsu but all China waits upon the outcome of events in Nanking.

While authority is strengthening itself in many directions, the financial outlook has brightened perceptibly. Although there is no improvement in the prospects for the flotation of the next Quintuple loan—especially in view of the huge borrowings in the near future which today's telegrams from Paris forecast—the fault does not lie with China. Recent events have served to reestablish her credit to a degree that would scarcely have been deemed possible a year ago; and while it has to be confessed that this restoration is mainly due to foreign guidance and supervision in the two chief branches of revenue, the Customs and Salt, the foundation of all credit is the immense recuperative power of China, which, with all the mismanagement that she has endured from her young Republicans, puts her in a totally different position from other countries that have lately indulged in the rash experiment of revolution. Even the "Daily Telegraph's" Peking correspondent, who for some months back has been studiously pessimistic, is forced to confess, in a message dated December 7, that things are looking up, and quotes the expectation of the Inspector-General of Customs that next year the Customs revenue should be able to contribute to the service of the Reorganization Loan. Meanwhile the influence of Sir Richard Dane on the Salt Gabelle has raised the collection from that source to a rate of $35,000,000 annually, a sum which it is expected to double in 1914. It is instructive to turn from financial showing to the now dyeing embers of the agitation produced by the suppression of the Kuomintang. The interpellation by members of Parliament still in Peking has been dismissed without ceremony, and the petition of General Li Yuan-hung and others for the dissolution of Parliament, although as a matter of form referred to the Administrative Council, can scarcely fail to be realized eventually. There has been adverse comment in the press more or less bitter. But the nation generally remains unmoved. Nothing could more clearly illustrate that a Government which knows its own mind and is not afraid to risk a bold stroke will carry the acquiescence of the people with it.

It would, however, be a mistake to imagine that the people of China can be ridden over roughshod. That was never the experience of magistrate in the old days and it is less so than ever today. If the Treaty port Chinese are not the Chinese of the interior, as so erroneously believed in the days of the Revolution, they are still susceptible to and have actually been influenced by the new ideas. That is not to say that the average Chinese either understands or desires an orthodox Republic. But judging of political change in terms of every-day individual comfort, it does mean that he is probably more alive to peculation and corruption by those above him than was formerly the case. Moreover, the animation with which the arguments for and against Confucianism as a State religion have been caught up in all the principal cities of China is a sign of the times which must not be underrated. The strength of the current favorable to Confucius is unquestionably greater than might have been expected, in that the common experience of the cult of Confucius was that it belonged principally to scholars and gentry. On the other hand it will be remembered that the practices of the early Republican reformers were an undoubted cause of scandal to respectable Chinese, who may be believed to see in Confucianism a bulwark against fashions of which they disapprove. The Confucianist movement is frankly reactionary. Can it truthfully be said to be the worse for that, if it means that the sober-minded section of the nation is asserting itself? In the past two years China has gone far indeed, in outward semblance. The time has come for a return to realities, and the form that these begin to assume in the attitude of both Government and people is far from unpromising.—*N. C. Daily News.*

TEN YEARS OF SHANGHAI TRADE

Comprising as it does such important events as the revolution which finally overthrew the Manchu dynasty, the rubber boom, the financial panics, opium suppression, the Russo-Japanese War and other incidents which have exercised a considerable influence on the progress and trade of Shanghai and China as a whole, the ten years from 1902 to 1911 constitute a very important epoch in the history of the country. The third Decennial Report of the Customs on the "Trade, industries, etc., of the ports open to foreign commerce and on the condition and development of the treaty port provinces" is a very interesting record, being a concise summary of change, progress and development in the different districts of the "Commissioners of Customs and Deputy Commissioners in charge of Likin Collectorates."

In spite of disturbance, and financial crises, the progress in shipping and trade during this period is really remarkable. Foreign shipping of China has increased from 53,990,002 tons in 1902 to 85,771,973 tons in 1911; of the latter total Shanghai accounts for 18,512,471 tons in 1911 as compared with 12,041,166 tons in 1902.

The progress in foreign trade, especially in exports, is equally remarkable. Translated into sterling, the value of imports advanced from £43,628,226 in 1902 to £63,628,939 in 1911; it must, however, be mentioned that owing to exceptional causes the totals for the three years, 1905 to 1907, were each over £68,000,000. In the export trade, however, there has been a steady advance, except in the year 1908, the total in sterling for 1911 being £50,704,816 as compared with £27,843,606 in 1902. The total trade of China has shown more steady progress than either foreign imports or exports, the advance being from Tls. 1,333,145,504 in 1902 to Tls. 1,875,460,913 in 1911. The revenue of the Customs has shown the same satisfactory progress, having increased from Tls. 30,007,044 to Tls. 36,179,825 during this period.

The report of Mr. Merrill on the progress of Shanghai during this period covers a vast deal of ground, and is, to a certain extent, too concise to make very interesting reading. For a number of most interesting events like the financial crisis of 1910, he has been obliged to refer the reader to the annual reports of the previous years. The reference to manufactures and industry in Shanghai and the surrounding district are open to question as regards accuracy and might certainly be more up to date.

That the trade of Shanghai has great vitality, in spite of the fact that the outports have begun doing direct trade with the foreign countries during the period under review, is evidenced by the advance in the total value of imports and exports from Tls. 346,122,864 in 1902 to Tls. 484,202,222 in 1911. The noteworthy feature in the shipping of Shanghai is the proportionately large increase in the Japanese flag. At the close of the period there was a welcome change in that "the trend of the whole shipping trade seems to be to favor regularly established lines with fixed routes and comparatively reliable sailing dates."

The revenue of the Customs has been very irregular, that of 1911 being Tls. 11,786,663 as compared with Tls. 10,814,078 in 1902 and Tls. 12,823,818 of 1906; but the report states that "the general tendency of the revenue would seem to be to remain fairly steady at about Hk. Tls. 10½ millions."

The report makes a brief reference to currency and finance, disclosing briefly the facts known to every one connected with the trade. "During the decade under review the course of exchange in the value of the Haikwan tael varied from 2s. 7-1/5d. in 1902 to 3s. 3½d. in 1906, and stood at about 2s. 9d. at the end of 1911."

The report alludes briefly to the administration and provincial assemblies, justice and police, agriculture, mines and minerals, manufactures, education, municipal and sanitary improvements, museums, hospitals, emigration and migration, famine or scarcity, flood, plague, cholera and other epidemics, and naval and military changes.

It is also pointed out that the standard of living has been considerably increased among the Chinese who live in the Settlements, involving a larger expenditure and increased cost of living to all residents.

"The efficiency of the average operative in the mills has increased very considerably; and although the work is still far inferior to the European standard, wages are rising steadily and are at least 10 per cent. higher than when the last report was written. The scale of all local wages has risen correspondingly, although not necessarily on such valid grounds. The introduction of the new tariff, in 1902, was urged by all retail shopkeepers as a good reason for raising their prices very materially, and these prices, once accepted, were not as a general rule reduced when the fall in exchange occurred, which rendered the incidence of the tariff so disappointing to the hopes of its framers. This point alone has contributed very materially to the increased price of all commodities."—*N. C. Daily News.*

OPENING EASTERN SIBERIA.

Harbin, Dec. 20.

A telegram from Kiachta states that Mr. W. W. Rockhill, formerly American Minister to Peking, passed through that town on his way back from Urga to St. Petersburg. Mr. Rockhill has been studying the present state of conditions and trade possibilities in Mongolia and no doubt his report will carry considerable weight with the United States Congress.

Before long there is likely to be another Commercial Treaty between Russia and the United States; the latter have had a considerable loss in trade, especially in Siberia, through their terminating the treaty that existed, notably American agricultural machinery being subject to a higher duty than those of other countries. With the completion of the Panama Canal there will no doubt be a direct connection opened up with ports in the eastern States and Vladivostok and Nikolaievsk on the Amur, America being especially favorably placed in many ways for capturing a large part of the trade which will gradually form up in Eastern Siberia as the country is getting more and more opened up year by year.

As soon as the Amur Railway is finished the trip from Europe to Habarovsk, the terminus of the railway on the Amur, will only occupy a few more hours than to Vladivostok. From Habarovsk there will be the option of going by steamer to Nikolaievsk or by rail to Vladivostok.

It will be seen that in the course of the next year or so the past difficulties of communication experienced by American manufacturers and others will have disappeared and that if Russia and the United States come to a friendly understanding, the latter country is bound to have commercial success in eastern Siberia.

The total length of the Amur Railway will be about 1,600 miles. The cost is likely to be over £25,000 a mile. The line does not follow closely the river branch. Blagovestchensk is 120 verst from the trunk line, other branch lines will be built to connect the trunk line with the most important "stanitsi" on the bank of the Amur.

Owing to the many natural obstacles encountered many extensive détours have to be made. It is also a fact that in certain parts where building is proceeding gold nuggets in considerable quantities have been unearthed by workmen, so that in the near future extensive new mining enterprises are likely to be started in these regions.

Reverting to Outer Mongolia, General Martinoff in the "*Outro Rossia*" criticizes the action of the Russian Government in recalling Colonel Nadejny from Urga. This officer was in command of the newly formed Mongolian Cavalry Brigade. It appears the Mongolians prefer to have their own men to look after and command their army. General Martinoff, who is considered a very able officer, and who always makes his views public, was formerly in command of all the troops (Railway Brigade) in Manchuria but was transferred this spring to Russia on account of the views he took concerning military "effectiveness" in Manchuria, he deeming it necessary to be ready for all possible eventualities that may occur.

In the autumn he visited Urga and on his return to Russia he predicted through the Press this military downfall on the part of Russia.

Japanese commercial activity in Northern Manchuria no doubt has caused the Japanese Government to appoint a Vice-Consul to Hailar and to raise the rank of their representative at Tsitsihar to that of a Consul-General. No matter to what place one goes in northern Manchuria one finds Japanese trading in something or other and it is remarkable to note the amount of insight and knowledge these traders have as regards the general condition of things in these parts.

News by telegram recently received from Petropavlosk (Kamchatka) states that Koryburs k volcano, that has been dormant for over ten years, is again in eruption and that huge flames are to be seen coming out. The eastern side of the Kamchatka peninsula is noted for its high ranges of mountains (2,000-6,000 metres), its numerous volcanoes, of which at present not more than twelve are active and its craters, notwithstanding the fact that its latitude is 54° north and the climate intensely severe.

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78 Beekman Street,
New York City.

The formation of the American Association of North China, of which a record will be found elsewhere, is significant of the growth of American interest in Chinese business and public affairs. The objects of the Association are declared to be: To foster the interests of American Commerce in North China, and to promote a spirit of comradeship and co-operation among its members. It is needless to say that the parent association will extend a very cordial greeting to this latest born of its branch organizations, and will be ready to respond at any and all times, to any requests for co-operation. It is the expressed conviction of the founders of the new organization that China, having entered upon a new era of commercial and industrial development, will, in the near future, afford one of the greatest markets of the world. In this belief the members of the American Asiatic Association cordially concur, and they would earnestly commend it to the consideration of manufacturers seeking an export outlet for their products, who are not yet members of this Association.

The American Asiatic Association is in the sixteenth year of its existence, and has done a vast amount of important work on very limited resources. It has made but few efforts to enlarge its membership. There are, however, conditions facing it to-day which render necessary an appeal for new members, if these conditions are to be successfully utilized for the benefit of American business. An urgent request is, therefore, hereby addressed by the Executive Committee to the general body of the membership to prepare names eligible for admission to the roll of the Association, or at least to send to the Secretary the names of those who might be invited to become members if, after perusal of its literature, the purposes of the Association should make a direct appeal to them.

The resolutions adopted by the Executive Committee of the Association in support of the request of the Secretary of Commerce for an appropriation to cover the expense of providing a body of Commercial attachés as an

adjunct to the Consular Service, will be found on another page. This is a proposal which Secretary Redfield has very much at heart, and which he has missed no opportunity to urge on the attention of the Commercial community. The Chamber of Commerce of the State of New York has already taken favorable action in regard to it, and other business organizations have come very earnestly to the support of the suggested legislation. The Committee on Foreign Commerce and the Revenue Laws of the Chamber of Commerce pointed out that other leading nations of the world were fully alive to the necessity of using their representatives abroad for the promotion of their commerce. In these efforts they have the earnest assistance of their Governments, which maintain skilled and able agents in all fields, for the purpose of securing reliable information as to trade conditions and the requirements which must be met in order to secure their fair share of the world's business. The proposed Commercial Attachés are to be located at each of fourteen capitals of the civilized world, accredited to our Embassies there by the Department of State, but reporting directly to the Department of Commerce. Their purpose will be to study the commerce and industries of the nations among whom they reside, and they will have no other duties. They will collaborate with the Consuls, having the advantage of a larger view and freedom from other cares. The resolutions adopted by the Executive Committee of the Association have been courteously acknowledged by their recipients, and the chairman of the House Committee on Appropriations adds the assurance that he will be pleased to look into the matter very carefully.

FURTHER details of the work proposed to be done in China by the J. G. White Corporation under the auspices of the American Red Cross Society, will be found in this number of the Journal. Mr. C. D. Jameson, who is now in this country, has made public some of the conclusions he reached after long and thorough investigation of the Districts periodically devastated by floods in North China. He remarks, with obvious force, that any possible amount of relief can only touch the hem of the black pall which overhangs this region in famine years. The Chinese Government pours millions into the distressed districts in the hour of their dire need, and our own and other nations of the West have done the same. Impressive as have been the results for temporary relief, no method of cure has yet been tried. Now it is proposed to make channels that will afford for the rivers in flood, an unobstructed outlet to the sea. For this purpose some of the rivers will be split in two and the dividing water carried in different directions. The water of these rivers may also be impounded for irrigation purposes in dry seasons. The J. G. White Company proposes to do the work on a percentage basis under the guidance of a United States Army engineer skilled in river control, who will be endorsed by the American Government. A Board of Engineers will direct operations, and this Board, in addition to the Chief Engineer, will include Mr. Jameson as General Advisory Engineer, an engineer representing the White Company, and two other Government engineers designated by the Red Cross. The money will be raised by the sale of Bonds guaranteed by China and secured by a mortgage on 1,000,000 acres of the land to be reclaimed, and on all Government land in the affected area. There will also be imposed a light acreage betterment tax on the 10,000 square miles to be directly benefitted.

FROM the Contemporary Review we borrow an illuminating article on "International Extortion in China" and take special satisfaction in recording that American business men have not joined in the scramble to exact consequential damages from China for losses sustained during the late rebellion. The total amount of all the foreign claims which have been submitted is variously stated, but it seems to be about $33,200,000, of which the German count for $9,789,000; the Japanese for $9,774,000; the French for $7,180,000; the Russian for $2,179,000; the British for $1,664,000; and the American for $1,209,000. It is certainly remarkable that Great Britain which has several times the interest of the nearest competitor in the trade with China should have suffered only $1,664,000 worth of damages against the huge amounts claimed by Germany and Japan. Nor is the contrast between the claim made by banks less striking. The Hongkong and Shanghai Bank, which does by far the largest proportion of the China trade, claims only Tls. 20,000, while the Indo-China and Yokohama Specie Banks claim respectively Tls. 2,996,000, and Tls. 1,842,000. There is nothing in International law to give any validity to this evident effort to appraise indirect damages sustained owing to suspension or loss of trade through domestic disorder. If a thoroughly impartial tribunal cannot be organized on the spot, the entire question seems to be one eminently proper for submission to the permanent Court at the Hague.

SIR ROBERT BREDON'S plea, elsewhere reproduced, for giving China the benefit of an effective five per cent. on its import tariff will command the assent of all fair-minded men. It must be remembered that this is not a proposal to advance customs duties, in exchange for the abolition of likin or other equivalent, it is simply a demand for fair dealing with China. The tariff on imports was revised in 1901, after having remained unchanged since 1857. This revision was intended to give an effective five per cent., but, except in the case of duties levied ad valorem, it has yielded much less during the past few years, for the reason that the value of goods on the basis at which the treaty of 1901 fixed the tariff, was much below that of to-day. According to the calculations of Sir Robert Bredon the Chinese Customs lost nearly Tls. 7,000,000 in import duty alone because of the anomalous conditions which the course of years have introduced into the incidence of tariff taxation. As to the export duty, which is unquestionably mischievous in an economic sense, it must be admitted that there is a good deal in the plea urged for it by Sir Robert Bredon. "There is in China no income tax, no death duties, no education rates, no county cess, no pool rate, little or no, even indirect, consumption tax levied on the laborer through his liquor, tea, tobacco or sugar, compared with English rates. There are no big factories to insure. Transport rates where goods can be waterborne are very low—in a word, Chinese export duty represents to a certain extent an equivalent for the aggregate of other duties in Western countries."

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, 1913 and 1914.

EXPORTS TO CHINA.

Months.	Cotton Cloths. Yards.		Mineral Oils (illuminating). Gallons.		Wheat Flour Barrels.	
1912						
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	1,701
November	4,465,586	312,753	4,610,300	267,220	1,626	6,591
December	4,140,282	285,499	3,208,710	266,649	8,096	30,853
1913						
January	7,096,890	481,040	2,988,096	134,464	11,264	44,611
Total	27,843,845	$1,932,215	33,143,120	$2,248,908	24,723	$97,492
July	13,861,576	947,287	7,367,800	400,559	8	48
August	5,839,825	398,458	2,029,963	101,498	3,128	12,545
September	12,196,195	815,514	7,188,242	388,354	13,763	53,191
October	8,478,971	606,864	5,586,934	403,697	36,881	150,509
November	6,030,732	414,584	11,169,900	763,814	22,163	80,728
December	10,123,497	696,682	1,587,995	142,924	19,403	76,033
1914						
January	5,834,057	374,844	5,862,678	550,580	20,438	83,928
Total	62,294,853	$4,254,233	40,793,512	$2,751,426	115,784	$456,982

EXPORTS TO HONGKONG.

1912						
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
November	60,138	9,400	600,000	52,325	101,682	401,414
December	155,414	15,971	.....	.....	63,521	250,274
1913						
January	636,832	43,454	1,425,810	151,888	60,862	228,941
Total	1,274,488	$131,739	2,026,090	$204,242	712,064	$2,795,813
July	101,998	16,568	3,659,160	258,103	143,689	572,237
August	155,718	20,489	.....	.....	49,897	202,209
September	109,192	16,476	487,143	45,342	27,423	105,366
October	132,835	20,351	2,755,658	161,053	157,358	617,471
November	47,646	6,924	950,000	89,300	174,918	699,052
December	55,790	10,469	850,000	79,899	191,375	736,979
1914						
January	26,947	4,210	3,069,936	154,129	156,240	630,482
Total	630,126	$95,487	11,771,897	$787,826	900,900	$3,563,796

WASHINGTON, D. C., March 16, 1914.

DEPARTMENT OF COMMERCE,
Bureau of Foreign and Domestic Commerce.

Imports of Tea and Silk into the United States for the seven months, ending January 31, 1912, 1913 and 1914.

TEA.

Imported from	1912. Pounds.	1912. Dollars.	1913. Pounds.	1913. Dollars.	1914. Pounds.	1914. Dollars
United Kingdom	9,147,839	2,363,865	7,529,901	2,111,423	8,699,449	2,352,925
Canada	1,482,495	417,312	1,760,194	503,589	1,658,591	476,645
China	13,870,718	1,797,786	20,643,180	2,883,245	16,643,380	2,338,481
East Indies	8,369,696	1,408,748	6,879,899	1,105,729	5,799,567	997,602
Japan	49,267,984	8,296,687	39,737,648	6,891,836	36,200,194	6,026,518
Other countries	540,181	97,190	660,728	130,339	698,453	135,504
Total	82,678,913	14,381,588	77,211,550	13,626,161	69,699,634	12,328,035

SILK.

RAW, OR AS REELED FROM THE COCOON.

Imported from	Pounds.	Dollars.	Pounds.	Dollars.	Pounds.	Dollars
France	53,241	194,893	92,395	261,903	25,221	93,166
Italy	930,750	3,377,829	1,585,258	5,809,336	1,038,033	4,483,080
China	2,615,346	6,089,667	3,432,041	8,403,646	3,854,432	9,960,176
Japan	8,296,714	27,063,063	10,788,289	35,327,025	12,748,816	43,039,012
Other countries	102,427	380,461	104,020	377,216	253,716	935,052
Total	11,998,478	37,105,913	16,002,003	50,179,126	17,920,218	58,510,486

THE AMERICAN ASSOCIATION OF NORTH CHINA

Americans doing business in North China, including Tientsin, have formed an organization to be known as the American Association of North China. A list of its officers and its constitution are appended:

OFFICERS.

D. A. MENOCAL.....*President*
ROBERT COLTMAN, JR.....*Vice-President*
LUTHER ANDERSON.....*Secretary*
R. P. NORFLEET.....*Treasurer*

COMMITTEE

James S. Fearon C. D. Jameson L. O. McGowan

CONSTITUTION

ARTICLE I.

NAME.

The name of the Association shall be the American Association of North China.

ARTICLE II.

OBJECTS.

The objects of the Association shall be:—

1. To foster the interests of American Commerce in North China.
2. To promote a spirit of comradeship and co-operation among its members.

ARTICLE III.

OFFICERS.

The officers of the Association shall be a President, a Vice-President, a Secretary, and a Treasurer who shall be elected at the annual general meeting. The latter two offices may be combined.

ARTICLE IV.

MEMBERSHIP.

American citizens resident in North China shall be eligible for membership upon application in writing proposed by one member and seconded by another.

ARTICLE V.

ADMISSION.

1. The balloting committee who shall also be the executive committee of the Association shall be composed of seven members including the above mentioned officers. This Committee shall be elected annually. Vacancies may be filled by coaptation.

2. Five favorable votes are necessary for the election of a member.

3. No member shall be expelled excepting by a two-third vote at a general meeting.

ARTICLE VI.

MEETINGS.

1. The annual general meeting shall be held in Peking about New Year's time. This and other meetings shall be called by the President at the request of a majority of the Executive Committee.

2. Ten members shall constitute a quorum for the transaction of business.

ARTICLE VII.

DUES.

The annual dues including the entrance fee shall be five dollars for resident members and one dollar for absent members.

ARTICLE VIII.

AMENDMENTS.

Amendments to the constitution may be made at any general meeting. A copy of the proposed amendment shall be sent to each resident member at least ten days before the general meeting at which it is to be discussed. A majority vote of the members present at a general meeting shall be necessary for the passing of the amendment. The amendment must be ratified at the next subsequent meeting in order to become effective.

THE LATE LORENZO J. HATCH

In 1908, Lorenzo J. Hatch was engaged by the late Imperial Government of China, by organization and instruction to establish in Peking a bank-note, steel-plate, designing, engraving, and printing bureau on the American model to be a branch department of the Chinese Government. Arriving in China he found unforeseen obstacles to the carrying out of these aims and was obliged to take the practical management of the whole of the work of designing, engraving, and printing into his own hands. In spite of great difficulties arising from these conditions, and of the disorganizing influences of revolution which soon began to manifest themselves in China, he succeeded in organizing and holding together the working forces of his bureau and in molding them into a machine capable of development into a valuable branch of the Chinese Government, in accordance with the aims of the undertaking. He was instrumental in fixing in the hearts and minds of his apprentices and students an ideal of high artistic work in drawing, designing, and printing, and built up such a measure of efficiency that the Chinese Bureau of Engraving and Printing under his aides, and owing to his labors during five years, with proper control can make bank-notes, and other security prints, stamps and other prints, of a high grade by the best American methods.

By this achievement Lorenzo J. Hatch created for himself a noble monument. And in doing these worthy things he met Death.

As a partial testimony to the impression which Mr. Hatch's services to China made on those competent to judge of their value, the following resolutions were adopted by a body of men largely composed of members of the American Asiatic Association:

AT a Meeting of the Tiffin Club, comprising members of the American Asiatic Association and the Asiatic Institute, and others interested in the development of American activity and enterprise in China, held at the Downtown Club on Monday, March 9, the following resolutions were unanimously adopted:

Whereas, We have heard with the deepest sorrow of the sudden death of Lorenzo J. Hatch at his post of duty in Peking where, as the result of five years of devoted labor, he had established and organized a bank-note, steel-plate, designing, engraving and printing bureau on the American model to be a department of the Chinese Government, and had demonstrated the capacity of native apprentices and students to attain and exemplify a high degree of artistic excellence in drawing, designing and printing so that the Chinese Bureau of Engraving and Printing can, under proper control and guidance, make bank-notes, stamps and other prints of as high a grade as is attained by the best American methods;

BE IT RESOLVED, that we convey to his widow our profound sympathy with her in her bereavement, and our sense of the abiding loss which has been sustained both by China and his own country in the passing away of one whose career had in it so rich a promise of future usefulness; and

RESOLVED, That public record be made of the impression which Lorenzo J. Hatch left on all who knew him, as a man of exceptional integrity and of the highest moral character, as well as an artist, craftsman and teacher of unusual gifts, whose work for China as an American makes an invaluable contribution to the formation of more intimate relations between the two countries and a better understanding between the two civilizations; and

RESOLVED, That a copy of these resolutions, properly engrossed, be transmitted to Mrs. Hatch, and be recorded in the Journal of the American Asiatic Association.

THE PROPOSED COMMERCIAL ATTACHÉS

In the last annual report of the Secretary of Commerce, the desire is expressed that Congress should authorize the employment by the Department of 14 commercial attachés, who should be men of demonstrated commercial ability and experience, speaking the language of the country to which they are accredited or a language current in commercial circles therein. Preference would be given officers of the Consular Service and the Department of Commerce or other branches of the executive service who have unblemished records and who have shown marked ability in commercial promotion. A draft of the suggested appropriation to cover these items is given below:

"COMMERCIAL ATTACHES: For commercial attachés to be appointed by the Secretary of Commerce without examination under the civil-service rules, and to be accredited through the State Department, whose duties shall be to investigate and report upon such conditions in the manufacturing industries and trade of foreign countries as may be of interest to the United States, as follows: 3 at $5,000 each; 4 at $4,500 each; and 7 at $4,000 each; and for 1 clerk to each of said commercial attachés to be paid a salary not to exceed $1,500 each, and for necessary traveling and subsistence expenses, rent, purchase of reports, travel to and from the United States and all other necessary expenses not included in the foregoing, $150,000: *Provided,* That the commercial attachés shall serve directly under the Secretary of Commerce and shall report directly to him."

In support of the recommendation, the following resolutions were adopted by the Executive Committee of the Association:

WHEREAS, We, the undersigned President and Members of the Executive Committee of the American Asiatic Association, appreciate that it is the desire of the Government to do all in its power to favor the extension of legitimate American trade; and,

WHEREAS, We believe that at the present time it is especially necessary that steps be taken to assure to American merchants their share in the rapidly developing trade with the countries on the Asiatic Continent, populated by more than half of the human family; and,

WHEREAS, While fully recognizing the excellent work that has already been done by American Consular officials located at the chief ports of Asia in furnishing information regarding opportunities for American trade, we believe it desirable that their work should be complimented and their reports coordinated by officials especially appointed for this purpose;

Be it——

RESOLVED, That the American Asiatic Association, whose membership includes the principal firms and corporations doing business with Asiatic countries, earnestly commends to the favorable consideration of

the President and of Congress the appropriation asked for by the Department of Commerce providing for permanent commercial attachés to be appointed by the Secretary of Commerce and accredited through the State Department, stationed at posts especially important to our export trade where they could best serve the interests of manufacturers and exporters; and,

RESOLVED, That this Association emphatically approves of the proposal to make such officials directly responsible to the Department of Commerce, in order that their reports may be governed by instructions which that Department can most readily formulate and by requirements which it can prescribe with the most intimate knowledge of the commercial and industrial conditions governing the extension of our foreign trade; and,

RESOLVED, further, That a copy of these resolutions be transmitted to the President of the United States, the Honorable the Secretary of State, the Honorable the Secretary of Commerce, and to the Chairmen of the Committees on Appropriations of the Senate and House of Representatives.

NATIONAL IRRIGATION AND CONSERVATION IN CHINA

From *The Far Eastern Review*

Just before Christmas, 1913, the Chinese Premier, Mr. Hsiung Hsih-ling; the Minister of the Interior, Mr. Chu Chichien; and the Minister of Commerce and Agriculture, Mr. Chang Chien, jointly memorialised the President, His Excellency Yuan Shih-kai, to establish a National Irrigation and Water Conservation Bureau with the object of properly investigating and dealing with the irrigation and conservation problems that are constantly confronting the Government, and which to date have not received the attention they deserve owing to the absence of a special bureau for the purpose. The President was so impressed with the arguments of the memorialists that within three days he issued a mandate creating the bureau, and appointing Mr. Chang Chien, the Minister of Commerce and Agriculture, to preside over it. This is a step which will be welcomed by all who have knowledge of the tremendous losses periodically suffered by millions of Chinese living in low-lying areas, and the great death rate and intense suffering which result from famines supervening upon floods.

The memorialists dilated upon the extraordinary and marvellous undertakings of ancient rulers in China to preserve the low lands from the ravages of flood, to make the arid wastes productive by scientific irrigation, and to open communication with distant parts by the construction of elaborate canals, and emphasized the neglect which had in recent generations almost nullified the magnificent foundations laid by the wise rulers of the old time. To impress upon the President the immediate need of special attention being given to these problems the tremendous losses suffered in recent years in what is known as the Hwai River famine districts were cited. Chang Chien was appointed General Director of the Drainage Work of the Hwai River in 1912, they pointed out, and his special instructions from the Government were to continue the surveying work commenced in 1911, to estimate the cost of flood prevention measures, and to negotiate for the necessary capital with the object of commencing work without delay.

Suffering and loss of life and property was not confined to the region of the Hwai River, however. It existed in many widely separated sections of the country, and with the object of giving the whole subject adequate attention, and preventing the charge that partiality was shown to the unfortunates in the Hwai district, the supplicants urged that a National Bureau be established.

In their opinion the concentration of energies would result in great benefits to the millions of people populating the areas affected by flood or drought, and since the Hwai River area called loudest for attention it could be given first consideration, and while that work was proceeding preliminary steps could be taken in other places.

THE PRESIDENT'S MANDATE

In his mandate of December 27, 1913, giving effect to the memorial of the three Cabinet Ministers the President spoke of the great benefits accruing from irrigation, and went on:—"The lands along the big lakes and rivers are the most productive, but owing to lack of irrigation one sees the best lying in waste. Other tracts, either on the coast or along the rivers, are also wasted, some because the beds of the rivers heighten, others through the inundation of water from the sea. Great dangers are imminent while no preventive measure is taken, thus great benefits are in store which cannot be taken advantage of. Though works of a palliative nature are resorted to now and again nothing is done for lasting good. By comparing the work of irrigation which was done in the past with that of the Chow Dynasty, and with what is now being done in foreign countries, it becomes evident how enormous is the waste in this country. The evil is due partly to the corruption of the officials and ignorance of the people, but is mainly due to local cliquism which hinders and hampers all good works in that direction. During the reign of Kan Hsi, Jen Fu, in a memorial to the Throne, suggested the means of increasing revenue, but in spite of the diligence of the Emperor, the effort to increase the wealth of the people by improving the land was left incomplete.

"Now that the form of government is changed the acts of the local bad characters possessing influence cannot be tolerated. The population of our country is large and increasing, and the means of subsistence is getting more and more difficult to obtain. Consequently idle people collect together to create trouble. We must therefore

adopt the work of irrigation on an extensive scale and select good officials to impress upon the people the importance of agriculture in order that they may be employed, contented, and enabled to practice economy. During my retirement at Yuan Shan as a farmer, I facilitated the waterways, and the work done benefitted some thirty-two thousand mow of the surrounding land. It will be seen from this that the benefit irrigation will confer is very great.

"We have now established an Irrigation Bureau. The Director of the Bureau is hereby instructed to order the officers of the provinces to make surveys of the depths of the rivers as a preliminary to dredging, and dredging work should be undertaken first in the ports in order to facilitate the currents of the rivers. The work of irrigation in connection with the large rivers will be undertaken by the Government, while those of the riverlets and lakes, etc., etc., should be taken up by local bodies to be formed for such purposes. By improving the waterways the farmers will be free from the fear of flood or famine, the agricultural products will increase, the wasted lands will decrease and the idle people will be employed. The prosperity of trade marts, ports and sea navigation are also dependent on the dredging of the mouths of rivers. So it is important that a careful investigation should be made into the matter. The Bureau is instructed to devise means and to report without delay."

CONSTITUTION OF THE BUREAU

In a mandate issued on January 8, the President set out the system under which the Bureau is to be governed. It is to be under the direct control of the Cabinet, and "shall manage the irrigation affairs of the whole country and the reclamation of waste lands along the banks of the rivers."

The staff is to consist of the Director-General (Mr. Chang Chien); an Assistant Director-General, whose duty it will be to assist in the general management and take the place of the Director-General when he is absent; two supervisors, whose duty it will be to supervise various works, and, if they be not sufficient others may be appointed; between two and six senior clerks who shall be employed in working out the details connected with the management of the Bureau; between eight and twelve clerks to assist the senior clerks; between two and six technical experts to manage all technical affairs; between ten and sixteen experts to assist the technical experts. The mandate, however, places in the hands of the chiefs of the Bureau the appointment of extra assistants under the heads mentioned should they be necessary, and "on account of the requirement of technical knowledge the Irrigation Bureau for the whole country may employ advisers at its own discretion," and when branch offices are appointed chiefs may be appointed to manage them.

The above is as far as the mandate goes in connection with the establishment of the Central Bureau, and makes no stipulations as to where branch offices shall be opened. Mr. Chang Chien has, however, already considered this question, and so far has in mind the creation of thirteen branches in Chihli, Shantung, Hunan, Hupeh, Szechuan, Kiangsi, Anhui, Chekiang, Kiangsu, Fukien, Kuangtung and Kuangsi provinces.

The expenses connected with the maintenance of these bureaux will be met by the Provincial treasuries, while the funds for the upkeep of the Central Bureau at Peking will come from the Central Government. Capital for the carrying out of various flood prevention or irrigation schemes will be raised by foreign loans.

AMERICAN ENGINEER-IN-CHIEF PROBABLE

A point of considerable interest to foreigners in this connection is the probable nature of the engineering staff. At present Mr. Chang Chien has in mind the selection of a thoroughly competent foreign engineer as Engineer-in-chief, and in all probability assistant foreign engineers will be appointed, with staffs of Chinese engineers to undertake any special schemes that may be embarked upon. The Director-General of the Bureau contemplates appointing a prominent American engineer as Engineer-in-chief, but so far no selection has been made. One of the chief reasons why an American stands the best opportunity of selection for this important position is the feeling on the part of the Chinese Government that some sign of gratitude is due America for the immense amount of money, of food, of clothing and of human endeavor which the American people have from time to time contributed in the famine regions to ameliorate the terrible lot of the hunger and fever-stricken natives. American people have done more than any others in this direction, and that fact, combined with the one that the American Red Cross Society, at its own expense, despatched Mr. C. D. Jameson, an engineer, to the Hwai River famine regions to investigate and report on the best means of preventing further floods and consequent famine, weighs considerably with the Chinese Government in deciding to which country to give the honor of an engineer for one of the most important works in China. A further consideration, and an important one, is that there are engineers in America with great experience in this kind of work.

THE HWAI RIVER SCHEME

When Mr. Jameson concluded his survey on behalf of the Red Cross Society he estimated that work costing some $35,000,000, Mexican currency, would be required adequately to protect the region affected by the floods of the Hwai River alone. That amount of money would, however, render 17,000 square miles immune from abnormal floods by draining the area and lowering the flood level to such an extent that in all but abnormal years two crops would be possible each year, where, under present conditions, two crops in five years is the rule. In addition to this improvement in land which is now supposed to be under cultivation there would also be reclaimed some 6,000,000 Chinese *mou* of land which is now absolutely valueless, being covered by shallow lakes and swamps. There would also be a saving of the cost of the annual famine relief which for many years has been poured by millions and millions of dollars into this

section of China. The moral results would be the elimination of the suffering, starvation and degeneration of several millions of people who now are fast becoming beggars and robbers; the turning into producers of these millions who are now not only non-producers, but who are becoming a menace to the country and causes of unrest and lawlessness.

So important is this Hwai River scheme that it will be the first to be dealt with by the new Bureau. Mr. Chang Chien has in the past personally devoted much attention to it, and has been the director of much effort to acquire a knowledge of conditions and to devise a plan whereby the maximum of good may be secured.

The map which accompanies this article was drawn by Mr. Jameson for the purpose of illustrating the affected region, and it will be instructive as showing the vast areas which are now at the mercy of the elements and which, by sustained and intelligent employment of modern contrivances and wide experience, might be preserved for the use of peoples annually despoiled of means of existence through no fault of their own.

In the past huge sums have been granted by the Central Government for flood preventive measures, but as stated by the President, corruption has diverted the bulk of the funds from their proper use. It is trusted that the newly established Bureau will bring about a marked change in this respect, and will, by up-to-date methods, conquer the giants which have hitherto scourged the people and which, in the past, have been used as a pretext by officials for amassing large amounts of money for their personal use.

"China's Sorrow"

While the treatment of the Hwai River region will employ a great sum of money and considerable energy, there are many other sections of China almost equally bad, and which call for extensive effort. That great scourge, the Yellow River, known variously as "China's Sorrow," "The Ungovernable," and "The Scourge of the Sons of Han," is a constant menace to millions of people and hundreds of thousands of square miles of territory. In what might be called its lower course, through Honan and Shantung, it constantly threatens to overflow the artificial banks which contain its turbid waters and which hold its bed many yards above the surrounding plains. As month after month passes the mud and sand which the river carries with it continually raise the bed, and the patient Chinese whose lives and property depend upon constant care are compelled continuously to heighten the embankments and plan, by building outlying dykes, to prevent a great inundation if the immediate embankments are broken by flood.

The specialty of this river is to change its course. Frequently it has run to the north or to the south of the Shantung mountains, flowing in turn either into the Gulf of Chihli or into the Yellow Sea. Its last serious deviation took place in 1851, when the dykes near Kaifeng gave way and the great stream wandered away north as a change from its previous southerly direction. In 1887 it caused loss of life to millions of people by bursting its banks, and in 1898, 1,500 villages to the north-east of Tsinanfu, the capital of Shantung province, experienced its ravages, while a larger region to the south-east of the same city was devastated.

Mainly the river seems to be running on a self-created elevated ridge, and at any time its past performances may be repeated. To prevent this the Central Government has a great task ahead of it, and a great duty. When the breach in the region of Tsinanfu occurred over 100 square miles of territory were converted into a sandy waste of almost absolute sterility, while over an area of some 200 miles a deposit of more or less sterility was laid. Captain W. F. Tyler, of the Maritime Customs, who wrote a report on this inundation, estimates that an average depth of sand of three feet was deposited over 200 square miles, and at the places where examination was possible it ranged from six to ten feet. Taking an average of five feet the river discharged at this time 28,000,000,000 cubic feet of silt. Captain Tyler calculates that the sediment borne by this river is incomparably greater than in any other river in the world. River officers say that in floods the fluid mass is from 50 to 70 per cent. solid matter and has the consistency of oil! The sand and mud is not a mere sediment left by subsiding waters; it is a vast stream of liquid mud poured from the river bed.

Annually this condition of things goes on, and increases the terrors impending over the regions traversed by this river. The amount of silt brought down is on the increase; the flood volume is on the increase, and the low-river volume is on the decrease. As the river bed rises so does the quantity of water which exfiltrates increase, and the ability of the river to carry its load of silt to the sea becomes less and less.

A Task for the Bureau

The question of silt is the dominant factor in the Yellow River problem, and the first and most obvious remedial scheme would be to try and make the water carry the silt down to the sea—to straighten the bends by training work and to bring the low and high river channels to sections best adapted to the volumes. Another scheme is to take steps in the upper part of the river, in Honan, Shansi, and Shensi, to mitigate the erosion of the river banks and that of its tributaries, and, by afforestation, to ameliorate the torrents and cause a more regular flow from the now denuded uplands. Such a work is of such immense magnitude, and as regards afforestation, would take so many years to have any appreciable effect, that Captain Tyler thinks it outside the limits of a scheme for the control of the Yellow River within the lifetime of the present generation.

But to find some way to overcome the dangers with which this great river is constantly menacing large sections of China is one of the tasks which will come under the Bureau now formed, and before very many years are over it is a task which the Government will have seriously to tackle. The temporary efforts made by provincial authorities to control the river are estimated to

cost in the vicinity of three and a half million taels, and result in no guaranteed safeguarding of life and property, while the annual destruction of property by the river may be placed at about one and a half million taels. These are the figures used by Captain Tyler, but they do not take into account an abnormal flood which at any time may burst the great dykes, though he significantly states that the three and a half million taels properly handled might suffice to prevent any great disaster.

The warmest praise must be given the Chinese engineers who have had in their hands the business of looking after the frolics of this great river, and the illustration in this issue showing the closing of a breach in the dyke at Liu-wang-chuang in September, 1902, is highly instructive. Captain Tyler, in describing this particular piece of work, says that some 1,500 yards of the dyke were washed away and the greater part of the water flowed through the breach. The closing was effected in the following manner: a dam was run out from either side of the breach by the successive building of pakwerks—layers of kaoliang (giant millet) stalk and earth. When these approached within 55 feet of each other a huge deflecting groyne of pakwerk was built on to the up-river dam to minimize the rush of water through the aperture. The width of the channel abreast of the breach had been about 600 feet, but this was reduced to less than 300 feet by the formation of a sandbank growing out from the opposite shore. When the entrance had been constricted to 55 feet, ropes were stretched across and belayed to anchor-piles. Over 100 eight-inch ropes were used, spaced close together. On these were then placed, in alternate layers, kaoliang stalks and sacks of clay. When these materials were up to the level of the dam, the ropes were manned, and at a given signal, were each lowered one foot on each side. The mattrass thus formed was again added to with kaoliang and clay and again lowered, and so on till the breach was closed. The deflecting groyne used to minimize the rush of water is described as a remarkable structure, projecting 120 feet into the full strength of the current and tied up to the kaoliang dam by an immense number of eight-inch hawsers.

OTHER FLOOD REGIONS—AND FUNDS

In addition to the Hwai River and the Yellow River menaces the new Bureau will also have to take care of many other regions where floods continually deprive the inhabitants of their property and livelihood, and the silting waterway obstruct communication. An important district is that of north Chihli, where annual floods devastate large tracts. There are others in various provinces, and if the Bureau but deals with a tithe of the work of this kind which should be done it will have its hands full and will have more than sufficient to absorb the funds that can be supplied for the purpose by the Government or the provinces. To cope with the Hwai River scheme, in fact, foreign money will be needed, and the proposal now being considered is whether a sum of $20,000,000 United States currency can be raised in America as a loan for the purpose. The feeling here is that it would be difficult to float such a loan, but as the Red Cross Society have taken a lively interest in the subject it is probable that they might be able to engineer a loan upon a semi-philanthropic basis, putting charity on a business footing as it were. The loan would be secured upon the reclaimed land, and the land taxes or some other form of revenue, would be set aside to pay the interest and repay the principal. At this writing the whole question is being considered, but the establishment of the Bureau brings it on apace. It should not be long before a decision is arrived at, and if Belgian offers are not too attractive to the Chinese, or if the Chinese have not forgotten the gratitude they owe America for relief to their suffering millions in the past, American philanthropists or capitalists, or both, will be asked to provide the necessary loan.

While the extensive flood areas are receiving consideration the Bureau will be compelled to give considerable attention to the great canal system of the country, a system which was once the glory of the designers, and, of immense advantage to the inhabitants, but which is now a standing monument to the neglect of recent rulers of the country. The Grand Canal, one of the wonders of the world, has silted so as to be unnavigable in parts, and hundreds of miles of canals in other localities may be navigated only when there are floods. The great importance of these canals for transport should compel attention to them, and while the dredging work is monumental it should be easy of rapid accomplishment by the employment of modern dredgers to assist the manual labor that may be employed in places to advantage.

Nothing appears more clear than that the greatest material problem which can engage the best thought of China to-day is that of perfecting, extending, and perpetuating the means for controlling her flood waters, for better drainage of her vast areas of low land, and for utilizing the tremendous loads of silt borne by her streams more effectively in fertilizing existing fields and in building and reclaiming new land. With her millions of people needing homes and anxious for work, who have done so much in land building, in reclamation, and in the maintenance of soil fertility, the government should give serious thought to the possibility of putting large numbers of them at work, effectively directed by the best engineering skill.

It must now be entirely practicable, with engineering skill and mechanical appliances, to put the Hwang-ho and other rivers of China subject to overflow, completely under control. With the Hwang-ho confined to its channel, the adjacent lowlands can be better drained by canalization and freed from the accumulating saline deposits which are rendering them sterile. Warping may be resorted to during the flood season to raise the level of adjacent low-lying fields, rendering them at the same time more fertile. Where the river is running above the adjacent plains there is no difficulty in drawing off the turbid water by gravity, under controlled conditions, into diked basins, and even in compelling the river to buttress its own levees.

There is certainly great need and great opportunity for China to make still better and more efficient her already wonderful transportation canals and those devoted to drainage, irrigation and fertilization.

THE RED CROSS WORK OF PREVENTION.

Correspondence of New York Times

WASHINGTON, March 21.—Reasons of humanity and of economy—economy of human suffering and economy of money—have brought the American Red Cross to an important change in its policy. For many years the name of the society has been associated with efficient relief work in every land where disasters befell. Lately the Government of the United States has administered its reliefs largely through the Red Cross,

until the society, with its offices in the War Department at Washington and the President of the United States as its President, has taken on a semi-official character.

But, unstintingly as the Red Cross has poured out its services and its funds, the disasters have continued. The energy of the society is such that its generous efforts unfailingly follow disaster. But the limitations upon its work are so strict that other disasters follow its relief without any lessening of their frequency. There seemed to be a sort of endless chain in which relief work might pursue catastrophes through all the years to come. The new policy is designed to cut that chain off short.

Most important discoveries are simply the application of old principles to new conditions. The new policy of the Red Cross is simply the application to its work of the old truism that an ounce of prevention is worth a pound of cure. Instead of spending millions of its own money and of the money of the Government in relieving sufferers from floods in the Mississippi Valley, Miss Mabel Boardman, one of its Central Committee and the active head of the society, has directed her energies toward inducing the Government to prevent the floods. In optimistic quarters the hope has even been expressed that the Red Cross might extend its work of bandaging wounded Mexicans to include the more difficult task of reconciling the hostile Mexican factions.

But further away from home than the Mississippi Valley or the Mexican mountains, the American National Red Cross has already carried its new policy near the point of accomplished fact.

It has made arrangements by means of which the Chinese Government will be enabled to obtain a loan of $20,000,000, to be used for the prevention of the annual floods that keep the richest alluvial plain in the world almost constantly in the grip of famine.

The engineering firm of J. G. White & Co., of New York, has already undertaken the work and agreed to float the loan. The detailed contract will be signed in the next few weeks, following a conference between officials of the firm, Dr. Cheng Chin Tao, Chinese financial agent in this country and Europe, who is now on his way to New York, and Charles Davis Jameson, engineer of the American Red Cross in China.

FLOOD AREA OF 10,000 SQUARE MILES

Most of the credit for the successful negotiations up to this point must go to Mr. Jameson, just as most of the responsibility for its physical realization will rest on his shoulders. Mr. Jameson has spent sixteen years in the Orient, and for the last two and a half years his experience has been at the disposal of the Red Cross. Under peculiarly difficult circumstances he has studied the topography and the people of the 10,000 square miles between the Huai and the Yellow Rivers, where flood and famine have come to be almost the normal condition, and where civil war in recent years has added to the danger and the horrors.

In any reference to his work, Mr. Jameson stresses the effective assistance of the American Government under President Taft and President Wilson, and the warm co-operation of the Chinese Government under the last Manchu Emperor and under Yuan Shih-kai, President of the new Chinese Republic. Accompanied by an armed platoon of Chinese soldiers on land and escorted by Chinese gunboats when the rivers and lakes offered the easiest transportation, Mr. Jameson traversed the whole affected area. His as yet unpublished report shows how widespread the distress was.

"Across North Anhui," says the report, "from east to west, a flat, brown, dreary stretch of 150 miles, we traveled on the main highway. Not once in the whole distance did we see a cart or farm wagon. A few wheelbarrows loaded with a hard, unpalatable Chinese pear, being wheeled perhaps thirty miles to a hoped-for market to be sold at the price of a poor meal. From horizon to horizon not a crop of any description.

"The floods had departed, but the ground was sodden with water and not half cultivated. The only travelers were starving people going they knew not where, some one way, some another, dying, not of acute starvation due to a lack of food for a few weeks or months, but of the deadly, quiet starvation of three years, with not sufficient vitality to beg, much less to rob and kill.

"The one idea was to walk and walk, and then sit down and die. They did not turn to the side of the road to die, they simply died where they ceased to walk—anywhere. The deadly quietness was the horror. The ash-gray, bloated forms. In the last stages they are not emaciated, but of a ghastly gray fatness, which, once seen, can never be forgotten."

The bearing of the new policy of the Red Cross on this continuing disaster is set forth in a few sentences of Mr. Jameson's report:

"Any possible amount of famine relief would but touch the hem of the black pall over this region in famine years. The Chinese Government has poured millions into this region each famine year, and American and other western nations have done the same. The good results for temporary relief have been tremendous, but no cure has been made or even attempted."

The vast quantities of silt carried each year by the Chinese rivers from the foot-hills and mountains that lead up to the Roof of the World, in Tibet, make the great alluvial plain of China in one sense a comparatively new part of the earth's surface. The official records of flood conditions and channel changes of the Chinese rivers date hundreds of years further back than any other records of their kind. Mr. Jameson has studied the records of the raparian municipalities for a period covering twenty-five centuries translated by the Jesuit Fathers. A diagram of the Yellow River's course during the 2,500 years of its authentic history shows it as a monstrous serpent twisting its

coils over farms, villages and cities, and scores of times changing its mouth along the thousand miles of coastline.

NO RECUPERATION AFTER FLOODS

"The floods have so increased in frequency," says Mr. Jameson, turning to recent times, "that now the people only realize on an average two or three crops in five years, where, if the floods were eliminated, the normal condition would be two crops each year. The soil is of great richness, and in good years the crops are enormous. But after a famine the people have but a small chance to recuperate. For one or two years they plant, but all is lost. They then have no seed, no plows or draft animals; household furniture is sold or used for fuel; half of the huts follow; grass, roots, weeds, and the powdered bark of trees are their food; after that theft, murder and cannibalism; and thus one of the richest agricultural regions of the world, with an area of 30,000 square miles, is in such condition that even the robbers are becoming discouraged."

The rainfall in June, July and August is often very heavy, a fall of 24 inches having been recorded for a single storm that lasted forty-two hours in June, 1910. The three main river systems of the flood and famine area—the Shu, the Yi and the Huai—fall toward the sea at a rate not more than four inches to the mile. As a result their channels are overgrown, their mouths are silted up and inadequate as spillways and the water backs up over the country.

In this flat country there will be none of the spectacular engineering of the Panama Canal. The work of the engineers will be to make channels that will afford an unobstructed outlet to the sea. For this purpose some of the rivers will be split in twain, and the divided water carried in different directions. Otherwise the water would back out of the overloaded channel, forming floods that tend constantly to become lakes, permanently submerging the land. The water of these rivers will also have to be impounded in some measure for irrigation purposes in dry seasons.

The Chinese Emperors undertook and carried out enormous works for the relief of their people in the thousands of years gone by. The Grand Canal running from the Yangtze River, northward for 800 miles to Peking, with its width of from 200 to 400 feet, would be a proud monument to any country, and it has been an artery of commerce for 700 years. The Ming dyke, with a height of 25 feet, half of which is faced with stone, and a width varying from 300 feet at the base to 150 feet at the top, has been stretched for 133 miles to protect the canal from the floods of the Yellow and the Huai Rivers.

GRAND CANAL AIDS FLOODS

The Grand Canal is ever an important contributing cause to the disastrous floods west of it. The canal runs north and south and its high levees are an effective barrier to the floods seeking a seaward outlet in the general south-easterly direction of the dip of the land. These floods are held back by the canal banks until they evaporate, or form permanent bodies of water like the Hungtze Lake, which "trickles" through into the canal or winds doubtfully southward to the Yangtze Kiang. These floods will have to have free outlet without imperiling the Grand Canal.

The agreement already entered into gives an option for one year to J. G. White & Co., and this time will allow for adequate surveys and observations. The company will do the work on a percentage basis. The chief engineer of the work will be a United States Army engineer skilled in river control, who will be indorsed by the American Government. A Board of Engineers will direct operations, and this board, besides the chief engineer, will include Mr. Jameson, as general advisory engineer, an engineer representing the White Company; and two other Government engineers, designated by the Red Cross.

The financial arrangements for the great work suggest the confidence Mr. Jameson has inspired in President Yuan Shih-kai. The money will be raised by the sale of bonds guaranteed by China, and secured by a mortgage on 1,000,000 acres of the land to be reclaimed and on all Government lands in the affected area. There will also be imposed a light acreage betterment tax on the 10,000 square miles to be directly benefitted. None of the money involved can be expended without the joint consent of the chief engineer and the representative of the Chinese Government.

All of this has a direct bearing on a subject with which our readers are sufficiently familiar and that is that the material interest of the United States in the development of China has been reinforced by a moral interest in the successful working out among its people of the experiment of popular 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. It may be permissible to repeat here a statement which, however familiar, has hardly yet received the attention it deserves, namely, that an enfranchised and regenerated China brings before the world with a fresh emphasis the real problem of the Twentieth Century. With a new sense of national dignity, and a new faith in their own future, one-fourth of the human family are not likely to continue meekly to occupy the place that has forcibly been assigned them. 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, and no more valuable contribution could be made to the promotion of such a feeling than the work of the American Red Cross in China, which has been so fitly crowned by making possible the great and beneficent enterprise above outlined.

TARIFF REVISION IN CHINA

In a series of articles in the *Peking Gazette,* Sir Robert Bredon presents facts and arguments in regard to tariff revision in China.

Among which are the following:—

"China," said the Chinese Commissioner, Sheng Hsuan-huai in 1901, "can form no natural budget entirely of her own motion."

"There were," he said, "two separate and important components in taxation on foreign goods brought to China. First the maritime duty....and secondly the transit and inland duties."

"His purpose was in principle to begin taking the general idea sanctioned by the Boxer protocol as a basis and in accordance with it revising the tariff so as to make it the effective 5% on the value of imported goods which had always been acknowledged as the rate of China's tax on foreign produce: then it was suggested, in sequence, to add one and a half times the tax thus arrived at. The two and a half duties were supposed to represent, a 12.5% duty. In return for this payment China undertook that this duty once paid *no further duty of any kind soever* should be levied on foreign goods."

"The revision (sanctioned by the Boxer protocol) meant to give an effective 5 per cent., gave in reality a tariff which only brought in about 4½ per cent. on the then actual value of trade. It thus inflicted an injustice on China from the very start, an injustice which has continued and grown during the dozen years the tariff has been in force."

According to the treaties:

"Both tariffs (export and import) are on a five per cent. *ad valorem* basis, and both are held as being liable to be revised on the demand of either side interested, every ten years."

"Up till 1901 there had been no real revision of either the import or export tariffs, though varieties of readings and interpretations and such like may have made slight alterations from time to time."

"This is therefore now the position. China says to the Powers:—I am entitled, on a well understood principle which you all have admitted, to have a 5% tax on foreign imports: I am similarly entitled to claim decennial revision from each of you if I consider a tariff made over ten years ago no longer gives me my due. It is more than ten years since my import, and more than fifty since my export tariff has been revised. These are now both equally entitled to a decennial revision: I feel that revision is both necessary and due and I now ask you to undertake it in consultation with me as a matter of principle and justice—and she might add, and I don't expect any quibbling use of legal technicalities to stand in the way."

"China has already addressed a circular despatch to the Legations of all the Treaty Powers asking for revision." (The request has been acceded to in principle by Great Britain, the United States, Belgium and Holland.—*Ed.*)

"What is wanted is not merely a revision of the 1901 tariff but the re-establishment and the putting in practice of the old time tariff principles."

"The abolition of *likin* on any reasonable terms one can endorse as a change eminently desirable in every interest."

"The present export duty tariff has a two-fold character, first, though such does not appear at first sight, it is a tax on foreign trade fixed and recognized by Treaty, and as well, secondly, a tax representing a very old established tax on native produce carried coastwise."

"There is in China no Income Tax, no Death Duties, no Education Rate, no Country Cess, no Poor Rate, little or no even indirect consumption tax levied on the labourer through his liquor, tea, tobacco or sugar....Chinese export duty in China only represents to a certain extent an equivalent for the aggregate of other duties in Western countries."

"Article X of the British Treaty of 1842 provides that:—'duty paid imported merchandise may be conveyed by Chinese merchants to any province or city in the interior of the Empire of China on paying a further amount as transit dues, which shall not exceed....per cent. on the tariff value of such goods.'....In a special convention made in Hongkong in June, 1842, it was stated that the rates of transit duty:—'shall not exceed the present rates which are upon a moderate scale'."

"When foreign goods have been entered at a port and paid full Import duty, they may be conveyed into the interior covered by a pass certifying payment of an additional half duty, which pass can be equally demanded by a Chinese or a foreigner, and is held as entitling the bearer to pass the goods at every tax station of whatever kind so long as the goods are actually in transit to a declared destination with (by recent legislation) permission to sell same en route in whole or in part at any place at which a market can be found, provided certain formalities have been complied with and native local authorities properly notified."

"In the opinion of the writer the whole question of inland charges on foreign trade requires to be gone into not only in the interests of the trade but of honest administration in China. There are wrongs on both sides and a settlement on a 'give and take by both' principle is desirable."

"Even if China does not now suggest the abolition (of inland taxation on goods) it should be proposed—one might be permitted to use the word 'demanded'—as a necessary concomitant of any treaty revision. Such a demand is by no means unreasonable, for China has herself in the preamble of Article VIII of the British Treaty of 1901 admitted its reasonableness in the following terms:—'The Chinese Government recognizing that the system of levying *likin* and other dues on goods at the place of production, in transit and at destination, impedes the free circulation of commodities and injures the interest of

trade, hereby undertake to discard completely those means of raising revenue with the limitation mentioned in Section 8'."

"Article VIII established certain principles:—(1.) That China was prepared for total abolition of inland taxation on foreign goods in return for an import surtax. (2.) That Great Britain was willing to agree to and support the Chinese arrangement, and, we may hope, did so in the belief that it could be carried out. (3.) That a surtax to an extent of 7½ per cent. *ad valorem* was not considered unreasonable or likely to be an unbearable burden on British trade."

"The following few figures will, the writer thinks, give a fair estimate of what the Customs revenue would be if the Import tariff is raised to an effective 5% and 7% surtax imposed. The net figures may be taken as what would be actual net total available from Inspectorate collected taxes for repayment of loan charges, etc. The figures which are in every case merely round numbers near the actual totals given in Part I of the Returns of Trade, are close enough for our purpose:

Total Customs revenue for 1912..Tls.	40,000,000	
Add for surtax	32,000,000	
Add for effective 5% say.....	7,000,000	
Total		79,000,000
Deduct opium duty	1,800,000	
Deduct opium likin	4,400,000	
(This assumes the extinction of the trade).		
Transit Dues	2,000,000	
(which the surtax replaces).		
Tonnage Dues	1,400,000	
(otherwise used).		
Cost Inspectorate of collection (Chinese Superintendency and Administration) say	5,000,000	
Additional cost involved in collection of surtax and increased accounting work of Customs.....	3,000,000	
Total Deductions....	18,000,000	
Net		61,000,000

"The above figures do not make any allowance for what a revision of the export tariff, or an export surtax or some other tax in lieu of that taxation may bring in; nor for the additional revenue such as may be expected from a growing foreign trade."

"The most important consideration in any new system is to reduce to a minimum the number of separate collecting departments and to cut down the staffs of those established to a minimum. The old system of finding berths for the unemployed and keeping them in them—still unemployed—should be entirely discountenanced. It seems there will be certain collectorates or departments of collectorates which must be controlled by representatives of the Central Government and directly responsible to it. In these may be included the Customs, the Salt, the Railways, Posts and Telegraphs, Irrigation works, River Conservancy, Woods and Forests and perhaps others. But all provincial taxes, including the Land Tax, which have to be collected on the beggarman's system, from door to door, should be aggregated into a single payment and collected periodically by one single provincial collectorate as is done in the United States where State, City and County taxes all pass into the same Treasurer's hands and are apportioned to the several spending departments as the constitution and law provides."

To this may be added the following comment of the *North China Daily News*:

In a compact and exceedingly interesting memorandum on the subject, Sir Robert Bredon puts the case for the revision of the Chinese tariff in a nutshell, and few, if any, who read his note can resist the conclusion that the amendment of the tariff to an effective 5 per cent. is very urgent. The position just now is that the tariff on exports for nearly fifty years has remained unaltered. The tariff on imports was revised in 1901, after having remained unaltered since 1857. The revision was meant to give an effective 5 per cent.; but in practice, except in the case of *ad valorem* goods, has been giving much less during the past few years, for the simple reason that the value of goods on the basis of which the treaty of 1901 fixed tariffs, is now much below that of to-day.

To arrive at a clear understanding of the position, a little explanation of the import tariff of 1901 is necessary. The majority of goods paid a fixed amount, on a supposed effective 5 per cent. basis; excepting a few unimportant items for which duties varied, the rest of the goods paid an *ad valorem* 5 per cent. In the case of the *ad valorem* goods there should have been no difficulty whatever, as the duty is on the cost of the goods landed in Shanghai, including freight and insurance. Even here there were difficulties only recently, owing in some cases, to the unreliability of invoices; and the point whether merchants' commissions should be excluded from the total is now under reference before the Diplomatic Body in Peking. Even in cases where the contract is produced the tariff makes for certain allowances, and the *ad valorem* duty is purely and solely intended to be on the invoice price.

The main difficulty, however, is in connection with goods which are supposed to pay an effective 5 per cent. tariff. For instance, grey shirtings and sheetings pay a special duty of from 5 candareens to one mace two candareens a piece, according to weight. For the purposes of calculation, if we assume that the total of 5,764,237 pieces imported in 1912 paid the highest rate Tl. 0.120, the total duty would have been Tls. 691,708. But the value of these imports is given by the Customs as Hk. Tls. 22,337,164, and a 5 per cent. duty should have produced Tls. 1,116,858. Actually, of course, it is certain that not half of this amount was collected.

It is needless to go into other and more detailed calculations. The calculations of Sir Robert Bredon that during 1912 the Chinese Customs lost nearly Tls. 7,000,000 in import duty alone, on account of adopting this anomalous tariff is certainly not an over-estimate. To add to the complications of the tariff, the frontier trade in the

North, including the Korean Yalu frontier, and in Tonking and Burma, pays a reduced duty besides; Sir Robert Bredon points out that in the frontier trades alone the Customs lost Hk. Tls. 1,038,953 in 1912.

The export duty has remained for nearly fifty years payable at a uniform rate for both interport and foreign trade It may be argued that there is no export duty in most civilized countries, and that the *ad valorem* 5 per cent. in China should be abolished. But assuredly not one cent of possible revenue should be lost in the present state of Chinese finances. Sir Robert says:

"There is in China no income-tax, no death duties, (withdrawing capital calling for replacement), no education rate, no county cess, no pool rate, little or no, even indirect, consumption tax levied on the labourer through his liquor, tea, tobacco or sugar compared with English rates. There are no big factories to insure. Transport rates where goods can be waterborne are very low. . . . In a word Chinese export duty represents to a certain extent an equivalent for the aggregate of other duties in Western countries."

Sir Robert takes care to point out that coast trade duty, export and import, is not a maritime tax, but "an inter-provincial due corresponding with the transit duties levied at frontiers on goods passing from one province to another by land." The concessions to Russia in connection with the Trans-Siberian Railway, and those to Japan in connection with the South Manchuria Railway and the Korean frontier, Sir Robert points out, are more political than fiscal.

The most interesting part of Sir Robert Bredon's pamphlet is that which refers to transit dues, likin and commutation payment. So much has been written about likin and its baneful effects on foreign trade that it is refreshing to hear some plain truth about likin. The Chinese Government itself recognized according to the British Treaty of 1901, that "the system of levying likin and other dues on goods at the place of production, in transit and at destination, impedes the free circulation of commodities and injures the interests of trade." It was then proposed in the treaty—now abortive—that a surtax to the extent of 7½ per cent. should be added to the Customs duty and inland taxation should be totally abolished.

Inland duties are put on foreign goods imported and on native goods, either in transit to an open port or for purely Chinese consumption in localities remote from the place of production; under the proposed system there is the ever present difficulty of compensating for the loss of duties on native goods. The estimate of the revenue from likin in the last budget is $32,000,000, apart from the salt tax. With a surtax of 7½ per cent. over an effective 5 per cent. tariff, the Customs revenue, according to Sir Bredon's calculation, comes to Tls. 61,000,000 in 1912, nearly making up for the loss of likin.

Even supposing that all the Powers agree to the surtax of 7½ per cent., a rather important question is whether the provinces would be willing to forego the likin and other dues, which are the principal source of their revenue. Already they see salt getting away from their control, and a good many provinces have not yet fully acquiesced in this loss. To abolish likin would deprive so many of their jobs as to prove really dangerous to the state. As Sir Robert himself states there are no other sources of revenue worth consideration, to compensate for the loss of likin to the provinces. As, therefore, there is no guarantee that exactions would be put an end to if the surtax were agreed to by the Powers, it is useless to discuss the question as to how foreign trade would be affected by such a tax.

Nevertheless, foreign trade could do a great deal to help the Chinese Government. It is not much for the Powers to agree to an affective 5 per cent. tariff on imports, and Sir Robert is safe in saying that this would lead to a net gain of over £1,000,000 in the revenue each year. The frontier trade concessions to Russia, Japan, France and Great Britain are manifestly unfair to the Chinese Government, while they are not of great importance to the former; hence they might as well be abolished. The commutation payment of 2½ per cent. to save the trouble of paying uncertain transit dues has led to the formation of "lie hongs" by unscrupulous foreigners; on the other hand, many a genuine merchant does not benefit very much by paying the commutation tax; hence a better control of the system is necessary. As likin cannot at present be abolished, the Government should control it better; merchants will then be able to have some sort of guidance as to the cost of marketing their goods in the interior.

THE DESECRATION OF CHINESE MONUMENTS

Monograph of the Asiatic Institute.

The Asiatic Institute has received Chinese protests dating back six years, emphasizing Chinese abhorrence of the evils of the European museum system whose practices have invaded China. Enumerated, these practices are: wide-spread pillaging of temples and the sacred places of the dead, and other ancient works in Africa and throughout Asia, in the name of superior civilization, punitive warfare, science or other subterfuge. In their protests the Chinese express abhorrence of the past plundering of weaker nations, and they protest against the introduction into China of a foreign conception of time, of science and of history by newer nations whose sense of antiquity, as peculiarly exemplified in the Western museum system, enables them to participate in and foster the destruction and robbery of holy things.

To specify: In the revolutionary interregnum between the winter of 1911-12 and the summer of 1913 sculptures and other antiquities native to China underwent shameless destruction on a large scale by foreign and native vandals in the interest of foreign dealers and museums.

In 1913 there was a general division among museums of the world, including at least two American museums, of several hundred cases of sculptural fragments broken from their settings in China by one and the same body of vandals. The proceeds of this original large levy have been so tempting, that further arrangements have been made by commercial vandals and their intermediaries, and by museums and collectors for wholesale delivery of antiquarian plunder from China.

This depredation in the field of antiquities, going on to satisfy the Western system, is peculiarly hideous in its effects, as it is leaving behind in China enormous broken, mangled remains of great sculptural, architectural and other art works, and depriving the Chinese of the present and future, of their heritage. China is herself the greatest of all records of human society, and until a few years ago

her principal antiquities were untouched. Knowing the art of plunder from the ages, foreign agents from Europe, Japan and America have set upon China, and China is being despoiled of the garments of her civilization, as other ancient countries have been. Countries of European civilization have plundered successively all older civilizations. Now finally to vandalize and pillage the last conservatory of art and archæology in the world, will forever be a peculiar crime, besmirching those who participate in it, and making the possession of stolen Chinese antiquities an indelible disgrace.

But in addition to being peculiarly reprehensible as the last great crime of vandalism by a civilization claiming superiority—it has other evil, even cruel features. For example, as China's customs are under foreign control and the rate of duty is fixed by treaty, China cannot levy an exportation penalty upon the traffic, nor can she collect more than five per cent. on the traffic price of antiquities in China, which in many cases are known to be not one-fortieth of their selling prices abroad.

Robbing China of sculptures, art and antiquities is a crime fully recognized by leading powers. Recognition should be made of its magnitude and special atrocity, and efforts made to bring the Western collecting and museum system under some moral bonds, at the same time allowing China opportunity to gain control of these and other of her assets, resources, and sovereign rights. The purchasing of Chinese sculptural fragments recently broken should be abandoned. Objects of antiquity acquired from China by collusion with plunderers, or by other unjust or criminal means should be returned to China. In this connection, the Smithsonian Institution in past years, has set an example by returning to China archæological and historical objects of which she had been robbed, and which had come into its possession.

Interested persons in the United States are seeking to establish in China a School of Archæology for the benefit of man; and, by bringing law and order into control of these matters, to outlaw practices that have disgraced the culture whose boasted superiority was held to justify them. American institutions prizing China's antiquity and civilization, by supporting these and similar aims can promote both the welfare of China and their own interests. The sending of students and scholars to China, there to study its archæology, would double the benefits of such study, while the risk of being parties to robbery and theft would be avoided. Established opposition to the commercialization, robbery, and destruction of China's antiquities would be a powerful answer to her protests and would gain her respect, appreciation and gratitude.

ASIATIC INSTITUTE.

New York, March, 1914.

Letter from B. de Almeida, late Chargé d'affaires of the Portuguese Legation, Peking, to the "Peking Daily News," July 4 and 5, 1913.

DEAR SIR:—Let me tell you such a strange tale that if I hadn't seen it with my own eyes I wouldn't have believed it.

Not far from Sianfu, about 160 li, in the Li-chuan Hsien, is the place where the greatest of Chinese emperors, T'ang T'ai Tsung sleeps his last sleep. The tomb is secluded in the hills and rather difficult of access. Many emperors of the succeeding dynasties have honored it with inscriptions and it still possesses some of the most beautiful specimens of Chinese sculptural art you know: six bas-reliefs of horses carved on huge slabs of heavy stone—photographs of these bas-reliefs have been published in Professor Chavannes' last book. And then comes my tale. Not long ago, last April, a man by name of ——, an Italian, came to Sian and said he was instructed by a Parisian dealer, he didn't say which, to steal and take away one of the bas-reliefs, and, of course, the best. He really went and, as the stone was much too heavy to be taken whole, helped by some stone cutters he had himself brought from Honan he had it cut in three pieces of about the same size and weight—mangled more than cut—and he boasted his workmen were members of a gang of robbers, used to such work! The tomb stands in a wilderness and as he did his work quickly and perhaps by night, the villagers of the nearest village, some li away, only knew of it too late, but when they learned of what he was doing they rose *en masse*, tried to stone him and he had to run for his life, escaping the punishment he so richly deserved. The stone now lies there broken in three, or rather in four, because one of the pieces he cut broke falling down, face against the ground, where it will soon be buried by the storms if not removed. It is a sad sight for a friend of China and an amateur of art and no foreigner can be proud of such a wanton act of vandalism as I have recorded above! And now let me ask what is to be done? Will not the Chinese Government do something to protect the monuments of their history and their art treasures, shall these robberies (there is no other name for it) and acts of vandalism be allowed to go on unpunished?

In Honan the cave temples of Lung-men have been despoiled of most of their beautiful statues; and I have even heard that a dealer is now gone to Ta Tung Fu in Shansi on purpose to get statues from the cave temples there. A new mine to be exploited.

Indeed I think it high time that something should be done to prevent such crimes.

Believe me, dear sir, yours truly,

Sianfu, June 27. (Signed) B. DE ALMEIDA.

Letter from Dr. Mueller of the Berlin Museum to the Editor of the "Ostasiatische Zeitschrift."

DEAR SIR:—The act of vandalism reported by M. de Almeida is the most striking example of the consequences to which the uninterested attitude of the Government toward the antiquities of China have led. And it may be fairly judged now what we will have to face during the next years.

The famous Pin-yang-tung of Lung-men (Honan Province) may be destroyed in trying to remove the Wei-reliefs. The well-known Chin-chiao-pei, the Nestorian tablet in the Peilin at Hsi-ngan-fu (Shen-si Province), may figure as the "piece de resistance" in an auction at the Hotel Drouot. The tablet of the Great Yu will be the object of a quarrel between two concurrent Parisian curio-dealers. I should not wonder at all to learn that Wu-liang-sze with his Han-reliefs is offered for sale *en bloc*. It was a common soldier who offered me the whole sculptural work of the Buddhist caves at Lung-men for two million taels. He and his comrades were quite willing to start a "third revolution" for this purpose. I am much surprised that similar sources of money have not yet been resorted to by the "heroes and promoters of the second revolution" in the Yangtze-valley. I think the Japanese would offer a good prize for the antiquities of the Si-hu and for the famous private libraries in Fu-kien and An-hui as well.

But seriously speaking, who is to blame? Do you really think that there are only the European and American curio-dealers and their help-mates who are robbing the monuments of China and destroying the treasures they are unable to take away? Every visitor of the Lung-men caves or other sculptural rocks in China cannot fail to notice that such vandalism is not an European invention imported for the benefit of the Chinese people, being—alas—in the most urgent need for things European. You may observe the old marks of the removal of whole statues, undoubtedly carried out long before the present generation saw the light. But the still bleeding wounds cannot be overlooked. The best heads of the Bodhisattvas

in the Lao-chun-tung (Lung-men), which still figured in Professor Chavannes' Mission Archæologique, have been removed. I saw them during May in various shops in Honanfu. They have been brought up to Pekin since and are offered for sale here. As I learned from some Chinese friends in the Custom Service there have been about one hundred cases with Lung-men sculptures, heads, reliefs and whole figures, imported into Peking during the last months. They are going to Europe and America, and undoubtedly will be scattered through numberless private collections before the end of this year. I thought it an act of conservation of these treasures—invaluable for the study of art and cultural relations between the East and the West—to buy for the public collections at Berlin as much as my restricted means allowed me to do. There at least they will be out of the reach of the curio-hunters and may be studied by anyone interested in them.

I have been traveling in the northern provinces for the last two years, investigating the conditions of the old monuments known to us and in search for undiscovered ones. I beg your allowance to state some facts and to make some suggestions as to how the monuments of the old Chinese culture may be conserved. It is only in the province of Shantung that I met some attempt of conservation. The name of Mr. Sun Pao-chi, former Ambassador at Berlin and Governor of Shantung, will ever be remembered as the only one who made earnest efforts in this direction. He compiled an Inventory of Historical Monuments to be protected by the Government. He further started an Historical Museum at the T'u-shu-kuan in Tsinanfu. He installed a committee for a new critical edition of the Shantung Provincial Chronicle. Since his removal from office this committee has been dissolved. The collection in the T'u-chu-kuan has not been augmented by a single piece. And nowhere could I notice any trace of the protection of the Government to the treasures for whose protection Sun Pao-chi had pleaded. Shipping of Han-reliefs, especially to the United States, has been very active during the last year. But worse than that—most interesting documents of antiquity are destroyed every year. I saw many of the highly valued Han-reliefs used either as stepping stones or as pave stones, one even perforated for use as resting pole at a well. In the Prefecture of I-chow-fu I noticed an old graveyard with dozens of stone sculptured chambers from the Han-dynasty laid open to the evil influences of wind, rain, heat and cold. Nobody cares for it. Half of the highly interesting sculptured work is worn out now and the chambers are filled with mud and sand.

The only remedy possible is the immediate installation of an Archæological Survey in China under a committee of well-educated and able men like Sun Pao-chi and managed by some experienced European, the instalment of Provincial Historical Museums which may be connected with the Confucian temples in the Provincial Capitals, and the prohibition of the export of antiquities save when a permit by the Archæological Survey can be produced. The taxes for these permits would nearly cover the expenses involved by the organization of this said survey.

Believe me, dear sir, yours truly,

July 11, 1913. (Signed) DR. HERBERT MUELLER.

Representations made to China by the "China Monuments" Society. (Peking)

November 29, 1913.

PRESIDENT YUAN SHIH-K'AI

SIR:—During more than five years the China Monuments Society has employed means to bring the subject of monuments in China before the friends of China. It has cultivated among Chinese and among foreigners a knowledge of China's interests in her antiquities. In this work it has been supported by men and women of all nationalities.

Various members of the Committee of this Society at intervals have brought the subject to the attention of ministers of the Chinese Government in Peking. Others have made similar representations to Chinese authorities in the provinces. The Secretary of this Society makes it his duty to inform the world of the vandalism committed by both Chinese and foreigners in China, and to utilize all opportunities to realize the complete control, protection, and preservation in China of Chinese art and antiquities.

Owing to the increase of vandalism and theft of Chinese antiquities the Secretary has made a special effort to bring this matter to your Excellency's attention. To this end the representatives of Germany, France, the United States, and others, have mentioned it to your ministers; and your Excellency's adviser, Dr. Morrison, assured me at the beginning of this month that he would make it his duty to bring the practical aspect of the question before you.

I have refrained from asking your Excellency for a special hearing on this subject because of your Excellency's occupation recently with more pressing matters. I take this opportunity, however, to now submit through your aide, Dr. Koo, the following opinions:

(a) The antiquities of a country belong to the people and are the immediate property of the State. The contents and property of the temples belong to the people and are the proper care of the State, which should be the final trustee. The antiquities of China are the richest in the world, and their value is that of a cash income to China, possible to be made equal to that of China's revenue from almost any other single source.

(b) Countries of European civilization have regularly plundered various countries of Asia of their antiquities, until now China is the only remaining country of Asia to plunder in this way. The work of filching and destroying antiquities from China has begun and is now an industry of both European and Asiatic nations. Acts of vandalism and theft of antiquities are crimes in all countries of European civilization and in Japan. This fact was recognized by France in 1902, as your Excellency knows, when she restored to Peking astronomical instruments taken in 1900-1901. Furthermore this kind of crime was fully recognized and abhorred by the United States when in 1903 imperial jade tablets from the T'ai Miao, found within the territories of the United States, were returned to China by the Smithsonian Institution.

Upon the basis of these facts and precedents and the moral obligation universally recognized of the necessity of righting crime wherever possible, your Excellency would be justified in expecting the governments of all self-respecting nations of the world to return to China all unlawfully acquired Chinese antiquities in their national museums, or under national ownership; and also that they will now and hereafter forbid the entry and shelter in any national public building of any recently broken or otherwise suspicious Chinese sculptures, or immorally obtained antiquity or other archæological, historical, or art work from China that has been or is the property of the State (China) in accordance with the inextinguishable rights of the Chinese black-haired people.

If China should make new legal recognition of her monuments and antiquities and take national possession of them and bring the matter in all its bearings under regulation and control, she could do this; and would have the moral support of all mankind and the immediate political support of all self-respecting nations.

With assurances of high respect I have the honor to remain.

Yours, etc.,

FREDERICK MCCORMICK,
Secretary China Monuments Society.

INTERNATIONAL EXTORTION IN CHINA

From the Contemporary Review

At rare intervals during the last two years public attention in Europe has been called to the grave financial problems with which the Chinese Republic is struggling; now and then our newspapers, which can give columns to the details of some mysterious murder case, tracking out from day to day the life story of victim and offender with untiring energy, are able to find space in an obscure corner for some fragment of news from the Far East affording a glimpse of a struggle which is even yet silently going forward, in which the welfare of a great nation, and the future destiny of nearly a fifth of the human race, are intimately concerned. The crisis through which China is passing at present involves something far more than the transition from an absolute Monarchy to modern Republican institutions. It is no doubt of importance that the new Republic should be able to remould the political life of China without interference from without, but it is of even greater moment that the period of unrest through which China has been passing should not be utilized for selfish ends by agencies which would prefer that China should be weak and divided, if they can by this means obtain concessions and spheres of influence which a strong and united nation would not tolerate.

It speaks ill for the civilization of the western world that at a time when China has opened her doors as never before to the co-operation of foreigners, and when the breath of a new Spring is passing across her vast provinces, her leading citizens seeking to win for their country the fruits of European science and culture, this rebirth of a great nation should be hindered and not helped by the representatives of the very peoples to whom China has turned for guidance. Some day historians will be able to deal, with knowledge that today is confined to a few statesmen and financiers, with the transactions which ended in the floating of the Five-Power Loan. In this respect it is too late to undo what has been already done, but even now it may be possible for public opinion to check a grievous injury to China which is following closely upon the loan's conclusion and is intimately associated with it.

The Chinese Government offered to set apart a sum of £2,000,000 out of the quintuple loan to meet claims made by foreigners in consequence of losses sustained by the Revolution, and appointed an Interdepartmental Committee to examine and deal with these claims. This Committee first met representatives of the foreign Legations in Pekin in October, 1913, and has been engaged for months in examining and discussing the claims which it has received.

The Committee laid down for its guidance carefully thought-out rules, which may be summarized as confining compensation to foreigners belonging to a nation in treaty relations with China, and to mixed companies in proportion to the amount of their capital held by such foreigners, and as recognizing four classes of cases:

(a) Personal injuries or loss of life, in which case compensation is to be assessed on the basis of the annual earned income, and is to be paid for physical and not mental injuries.

(b) Damage to property: to be confined to that done by actual military operations, and to exclude persons who have already been compensated by the insurance companies.

(c) Damage sustained by the mutiny of troops: such cases to receive consideration.

(d) Damage by brigandage: consideration promised where loss arose through inadequate protection by the Chinese troops or the negligence of the local authorities.

The main principle laid down by the Committee has been that compensation should only be given for damages sustained directly; a large part of the difficulty of settlement is due to the number of claims for indirect damages which have been sent in by different groups of claimants, with the support of their Legations. Among these may be enumerated claims for loss of wages caused by the deadlock of commerce, for debts left unpaid by Chinese traders in consequence of the revolutionary troubles, for the estimated profit on goods unsold and for the rent of warehouses incurred in consequence of the unfavorable state of the market during the Revolution. Not content with these demands claim is being made for interest at 7 per cent., to be paid by China on all sums claimed, to be reckoned from the day of the alleged damage until the actual date of the final payment. The Legations of Spain and Holland alone have so far consented to abandon this preposterous claim.

The matter would not be so grave were the claimants merely private individuals. Many of these sustained severe and unexpected losses during the Revolution, and naturally may have hoped to find recompense by asking for as large compensation as possible. But an important part of the claims belong to a different class, being made by trading companies and banks.

The case of the foreign banks in China stands apart from the rest, because the high rate of interest which they regularly charge, amounting as a rule to 8 or 10 per cent., is only justified on the assumption that their business is one involving considerable risk. In some cases it is probable that the recent troubles have provided a convenient excuse to clients to avoid repayment, but although it was open to the banks concerned to have recourse to the ordinary legal process in reclaiming moneys due to them, they have found it

simpler and more profitable to make a claim directly upon the Chinese Government itself for these debts, and in some cases it would appear that old debts previously irrecoverable have been lumped in to swell the amount of the claim, on the ground that failure to pay was a consequence of the Revolution.

The claim is also being made that compensation should be paid by China to Chinese merchants who suffered loss of property during the Revolution, and were in debt to foreign firms, in order that they may be enabled to discharge their liabilities to their creditors.

So far two nations only, Great Britain and the United States, have confined their claims to direct charges, while some nations have made claims altogether out of proportion to the number of their nationals and the volume of their trade.

The "National Review" of Shanghai gives an instructive table of these claims, with a comparison of the indemnity awarded to each nation after the Boxer risings.

Country	Revolution Claims	Boxer Indemnity	No. of Firms	No. of Persons	Per Ct. of For. Trade
Japan	$11,000,000	£5,400,000	1,283	78,306	16.98
Germany	9,920,000	13,100,000	258	2,758	5.11
France	6,627,000	10,600,000	112	1,925	9.14
Russia	2,180,000	19,575,000	313	51,221	8.11
Britain	1,428,000	7,425,000	606	10,256	37.47
United States	1,177,000	4,725,000	111	3,470	14.88
Belgium	580,000	1,350,000	17	291	1.39
Denmark	460,000	——	9	295	.11
Austria-Hungary	446,000	605,000	26	385	.33
Italy	200,000	4,050,000	32	424	3.16
Holland	68,000	200,000	15	192	2.37
Spain	10,000		6	238	—

It is not difficult to understand the deep resentment which has been aroused in China by this attempt to extort money from her at a moment when all that she can borrow is needed for the development of her own internal resources. The table of comparative claims given about significantly quotes the amounts of indemnity awarded to the various foreign nations after the Boxer rising. It is now admitted that many of the claims then made were grossly exaggerated, and the awards in some cases proved veritable windfalls to needy and unscrupulous persons. The bad example thus given has undoubtedly stimulated many of the claims that are now being made. Trustworthy reports from China mention as instances of this that fowls which are commonly sold for 20 cents are being charged for at a dollar a piece, while a claim of 300 dollars has been made for a dog. It is even said that cases occurred in which houses were deliberately left open and unprotected with a view to claims being subsequently made for loot.

It is noteworthy that on many previous occasions of civil disturbance elsewhere no such compensation as has now been offered by China has been allowed. During the American Civil War the property of British subjects received injury, but the British Government refused to obtain compensation for them, and informed them that they must seek redress in such ways as were open to citizens of the United States.

The opinion of the greater number of authorities on International Law seems to bear out the following statement of Oppenheim, dealing with the general position:—

"The majority of writers maintain, correctly, I think, that the responsibility of States does not involve the duty to repair the losses which foreign subjects have sustained through acts of insurgents and rioters. Individuals who enter foreign territory must take the risk of the outbreak of insurrections or riots just as the risk of the outbreak of other calamities. When they sustain a loss from acts of insurgents or rioters, they may, if they can, trace their losses to the acts of certain individuals, and claim damages from the latter before the Courts of Justice. . . .

"But the State itself never has by International Law a duty to pay such damages. The practice of the States agrees with this rule laid down by the majority of writers. Although in some cases several States have paid damages for losses of this kind, they have done it, not through compulsion of law, but for political reasons. In most cases in which the damages have been claimed for such losses, the respective States have refused to comply with the request."

Such is the position taken by eminent jurists as to the legal aspect of the claims now being made upon China. The Powers whose representatives are now pressing them upon her are surely making a poor return for the exceptional opportunities which China has freely given to foreigners in her midst during the last two years. After long centuries of severe restriction her doors have been opened as never before to travellers and residents, who also enjoy unusual privileges as regards the Chinese law. It is a short-sighted policy which answers this trust by taking advantage of China's difficulties to make a momentary gain for the benefit of a limited number of firms and individuals, but to the lasting discredit of the commercial honor of Europe. Happily there seems no foundation for the reports which reached England in January that Great Britain intends to increase the amount of her claims if other Powers persist in asking for compensation for indirect damages.

Sir Edward Grey's response to a question on the subject in the House of Commons makes it clear that he is earnestly desirous that the claims now being made by other Powers may be modified and confined to direct damages.

Is it too much to hope that Great Britain may go further, and making use of Article 48 of the Hague Convention of 1907, offer her good offices with a view to the submission of the whole point in dispute to the Hague Tribunal?

It is possible for China to take the initiative in making such a proposal, but British and American support would be of great assistance to her, and it is difficult to see on what grounds the other Powers concerned could object to the examination of the claims by an impartial international tribunal, and to referring to such an authority the decision of the whole dispute. Unfortunately, what is taking place at Pekin has not been closely followed in Europe: if the facts were generally known there would surely be an overwhelming expression of public opinion in favor of such an equitable settlement.

But even this would not be an unmixed gain for China, for the expense of bringing such a case before the Hague Tribunal would be necessarily heavy. It seems a pity that justice should be so costly a boon.

T. EDMUND HARVEY.

RUSSIA'S AIM IN THE FAR EAST

It is generally conceded that the great aim of Russia in the Far East has long been, and is, to obtain an ice free port as an outlet for her immense territories in Siberia and Central Asia. Checked in her designs to find a way through Persia to the Persian Gulf, and forced back in her advance on India, she was compelled to seek the outlet at the eastern end of her great empire at Vladivostock. The history of the Siberian railway, and the concession for the Chinese Eastern line through Manchuria is common history, as is also the sequel which gave to Russia the railway from Harbin to Port Arthur and the lease of the Liaotung Peninsula.

The war with Japan, which wrested from Russia the fruits of her diplomatic victory, and compelled her to relinquish the Liaotung Peninsula and the South Manchuria Railway to Japan, and which deprived her of the use of the Chinese Eastern Railway for strategic purposes, compelled her to seek other means to regain her lost position.

Hardly had the ink dried upon the Portsmouth Treaty, than the Russian Government authorized the double-tracking of the Siberian railway and granted the appropriation for the construction of the Amur lines. These works have been actively pushed ahead in the last four years, and the Amur line is nearing completion, while the double tracking of the Siberian railway is about seventy-five per cent. completed. Many other new lines are projected for the exploitation of Central Asia, some of which have received the sanction of the Government. Vladivostock has been made practically impregnable, but as it lies exposed to Japan it may be wrested from her in another war. As a commercial port, however, it has great disadvantages, for it is open for only half the year and can never serve as an adequate outlet for the great Siberian country and its rapidly expanding trade and industries. Confronted by Japan in South Manchuria, Russia cannot hope to secure a seaport in that direction except through another costly and disastrous war.

In all books dealing with Russian policy in Asia the fact is emphasized that one of her great dreams is an approach to Peking across Mongolia via Kalgan. In the negotiations caused by the signing of the Chinchow-Aigun railway loan agreement, Russia agreed to withdraw her objections to the construction of that line, and suggested that a railway from Kiachkta to Kalgan be built instead. The project for a railway from Kokand (Kojend), the terminus of the Central Asian line, through Kashgar, Hami, Suchow to Lanchow-fu, in China, has always been set aside for Russia to finance and construct, and is looked upon as one of her unquestionable rights.

RUSSIA AND THE PUKOW-HANKOW CONCESSION

In 1898, during the "Battle of Concessions" for railways in China, the great desire manifested by Russia was to secure control of a railway from the north which would join with a line from Indo-China, and so establish a through trunk route bisecting China, and under control of the Dual Alliance. Only the constant vigilance and prompt measures of the British Government frustrated those designs at that time. The tension was so great that the British and Russian Governments were constrained to enter into an understanding, which precluded the Russians from seeking railway concessions trespassing upon the Yangtsze valley and Britain from seeking concessions to the north of the Wall.

With this agreement still in force, Russia may not openly take active steps to secure advantages in Central or South China, and can only accomplish her ends through the medium of a third party. This, Russia has apparently done by entrusting her interests to others. She has retired into the background, and confided the active work of advancing her political interests to her political ally and her financial agent.

When the Belgians entered into the field for railway concessions in competition with the great Powers, the suspicions of the Chinese seem to have been lulled by the innocent arguments that Belgium was only a small country with no army or navy, and whose only interest was to find an outlet for her manufactures of iron and steel products. The Chinese fully believed these statements, even when the real truth was pointed out to them, and despite all warnings sustained their confidence in the honeyed words of the Belgian promoters.

The British Government, however, appears to have entertained no illusions at that time as to the real character of the Belgian syndicates seeking concessions in China, and clearly saw the hand of Russia in the negotiations for the Peking-Hankow line—a railway which would admit Russia into the Yangtsze valley without ostentation. As a matter of fact the most powerful supporter of the Belgian syndicate was the then Russian Chargé d'Affaires (M. Pavloff) in Peking, and the French Minister. The then British Minister at Peking, Sir Claude MacDonald, protested vigorously to the Tsungli Yamen (Office of Foreign Affairs) against conceding the Peking-Hankow line to Belgium because of Russia's participation in the syndicate; and the Tsungli Yamen in reply, assured the British Minister that the Russian Bank was not interested in the scheme, and that no agreement admitting the Russo-Chinese Bank to participation would ever receive the Imperial sanction.

Three days after the Chinese Government gave this assurance the Peking-Hankow Railway Agreement was signed with an ostensible Belgian Syndicate. In Article 18 it was stipulated that the Russo-Chinese Bank would be the Agent for the Bonds, and Article 20 provided that the Russo-Chinese Bank should be the Bank of deposit and the medium for monthly payments.

Here, then, was absolute proof that the Belgian negotiators had either got on the blind side of the Chinese, or that the latter, knowing the facts, had wilfully deceived the British Government.

This breach of faith and slight to Great Britain was costly to China. The British Government immediately demanded compensation for the affront, and insisted upon China granting the concessions for the Shanghai-Hangchow-Ningpo, Shanghai-Nanking, Canton-Kowloon, and Pukow-Sinyang Railways as the penalty for giving the rights to build the Peking-Hankow line to the Belgians with Russian participation.

So here, at the very outset of the struggle for railway concessions in China, Russia employed her Belgian Agent with success to pull the wool over the eyes of the Chinese Government, to bring discredit upon its high officials, and cause her to lose face with Great Britain.

The Peking-Hankow Loan Agreement is usually accepted as a Belgian enterprise by the Chinese and others unacquainted with the true facts, but the French Yellow Book (the official publication of the French Foreign Office) in its issue of June, 1900—where it explicitly enumerates the various railway and mining concessions held by French Companies in China—specifically says that the Peking-Hankow concession is Franco-Belgian, and that the line is built and operated for the mutual profit and equal advantage of the French and Belgian parties. The French participation, according to this official French Government report, is 60 per cent. and the Belgian 40 per cent. So here again is absolute proof from the highest possible source that the so-called Belgian loan and concession was in reality 60 per cent., French.

When it is kept in mind that the Russo-Chinese Bank was the official financial institution of the loan in China, and the Russian Chargé d'Affaires in Peking was the strongest supporter of the syndicate in forcing the loan through, it becomes apparent that the Russians also had a fair participation in the syndicate. At all events it is clearly emphasized that the Belgians had acted as the agents of France and Russia in securing the concession, and lulling the suspicions of Great Britain and the Chinese to the true character of the syndicate. It is clear, in view of the facts made public in this case, that the Russian interest in the Peking-Hankow line is deeper than appears on the surface, and that China willingly or unwillingly played into the hands of the Belgians, and had to pay the price for the deception to the British Minister.

SIDELIGHTS FROM OFFICIAL RECORDS

Some interesting sidelights are thrown on the exact status of the Société d'Etudes de Chemins de Fer en Chine, by reference to various official publications of the British and French Governments.

The British Blue Book for 1900, on page 61, reproduces a communication from Sir Charles Scott to the Marquis of Salisbury, dated St. Petersburg, March 23, 1899, which reads as follows:—

"My Lord:—The Belgian Minister referring yesterday to the recent publication of Parliamentary Papers on Affairs in China, said to me that he understood they contained an interesting account of our opposition to the Belgian concession for the Peking-Hankow Railway, which from what he was told of the correspondence, was based on an entirely mistaken conception of the part which the Russian Government and Russo-Chinese Bank had taken in connection with this concession.

"As he had had to deal with all the communications on the question, he was anxious to give me the most solemn assurance, which the Director of the Russian Bank would be able to confirm, that not a single Rouble of Russian money was invested in that concession, and that the Russo-Chinese Bank had no share or interest in it whatever, except having undertaken to act as Bankers for the Belgian Syndicate. It was a purely Belgian undertaking with the object of developing Belgian industry, and the Russian Government had consented to give the Belgian Government its support in obtaining the concession, for the simple reason that a small country like Belgium could have no possible political object in view, and the Russian Government has said that they could on that account more readily support it than if the undertaking had been German, British or FRENCH."

The British Foreign Office was, however, apparently not entirely satisfied with these assurances, and in the meantime, the prospectus of the Loan was published in Brussels, a copy of which was forwarded to London by the British Minister at Brussels, Sir F. Plunkett.

The prospectus disclosed that the Board of the Société Belge pour l'Etude de Chemins de Fer en Chine was composed half of Belgians and half of Frenchmen, and the two countries would supply each half the employees for the construction of the line, and share the orders in connection with it equally, while of the money lent, 60 per cent. was supplied by the French and 40 per cent. by the Belgians.

Sir F. Plunkett in a communication to Lord Salisbury, dated Brussels, May 6, 1899, furthermore said:

"My Lord:—The language held by the Belgian Minister at St. Petersburg, reported in Sir Charles Scott's dispatch of the 23rd of March, relating to the Belgian concession for the Peking-Hankow railway (forwarded to me by your Lordship), is identical with that generally held to me here.

"Whenever questioned, the Belgian Government authorities all unite in repeating that the money and interests engaged in that concession are mainly bona fide Belgian, and that the reason why the promoters of this concern had employed the Russo-Chinese Bank was solely because that institution met them in a more friendly spirit than did the English local Banks and commercial magnates, who, (they say) sought to exclude the Belgians from participation in the distribution of Chinese Concessions."

It is thus seen that the Belgian authorities all united to uphold the "bona fide Belgian" character of the Syndicate, and justify the connection with the official Russian Bank. The French Government, however, had nothing to conceal, and in the French Yellow Book (Chine, Juin-Octobre 1900, pp. 23-27), gives the official French version of the status of the Syndicate as follows: "The Société d'Etudes de Chemins de Fer de Chine", a Franco-Belgian syndicate in which the French element is represented by the big financial establishments of Paris and

the big metallurgical industries of France, has received a concession of a railway from Peking to Hankow. The two contracts relating to this line, for a loan and for operating, are dated the 26th of June, 1898. The line will have an extension of about 1,250 kilometers. It is being built and will be operated by the Société d'Etudes for the mutual profit and equal advantage of the French and Belgian parties.

"The loan to be floated is 112,500,000 francs. It has been agreed that the French financial share shall be three-fifths, that of Belgium two-fifths. A first issue of 133,000 bonds of 500 francs 5 per cent. was made at Paris and Brussels on April 19, 1899. 226,800 bonds were subscribed for, 190,800 at Paris and 36,000 at Brussels. The product of this first issue will suffice to build 500 kilometers, of which 300 are in the north and 200 in the south, and which will be soon finished. 150 kilometers in the north are already being operated. The building of the remainder will be seen to by a second issue as soon as circumstances permit of it."

It will be noted that although it was arranged that the Belgians should take 40 per cent. of the loan, the French Government officially declares that the proportion of the first instalment of the loan was only taken up as to about 15 per cent. in Brussels, the Paris bankers taking up the balance, or 85 per cent.

After reading Sir Charles Scott's letter to Lord Salisbury, the question naturally arises: Why was the Russian Government so willing to support a concession for Belgium rather than openly support what it must have known to be a proposition of its political ally? The facts disclosed are irrefutable, and the question again arises, if the Syndicate was actually French, why did it select the Russo-Chinese Bank as its agent in China when the business could have been done through the official French institution (the Banque de l'Indo-Chine)? Did the Russian Government support the syndicate merely for the petty banking profits for the Russo-Chinese Bank on the handling of the funds in China?

With the above official facts clearly established, and the further fact that the Société Belge pour l'Etude de Chemins de Fer en Chine, is now an integral part of the Official Russian Group, it would appear that the anxiety of the British Government concerning the actual status of the Syndicate had some real foundation.

THE CANTON-HANKOW RAILWAY INTRIGUE

With the control of the Peking-Hankow line securely in the hands of the Franco-Russo-Belgian combination, giving them a line from Peking to the Yangtsze, the allies, intent on their original scheme for a through trunk line dividing China and connecting Russia on the north with her ally in Indo-China, set about to undermine the position of the Americans who at that time held the concession for the line from Canton to Hankow. They had tried hard to secure this concession in competition with the Americans, but had failed, so they then planned to secure control of the American-China Development Company by the open purchase of the shares of the company on the New York stock market. The history of this intrigue and its success is familiar to all interested in Chinese railway history. The Belgian agents quietly purchased the shares on the open market from the unsuspecting American shareholders, and when they had secured control of the stock, they assumed the direction of the company and the work in China. The American engineers were discharged and supplanted by Belgians, and the latter undertook the work of construction of the line.

The Chinese became alarmed as they awoke to the fact that the Belgians had become masters of a dangerous situation, and that the control of the through trunk line from Peking to Canton was liable to fall into the hands of the Russians and their French allies. The Chinese, urged by interested parties, demanded the cancellation of the American concession, and although the firm of J. P. Morgan & Company repurchased the shares to regain the control in the hands of Americans, the Chinese insisted on the cancellation as a penalty for the breach of faith, and America, deferring to the professed desires of the Chinese to construct the line with their own funds, finally assented to hand the concession back to China, in return for $6,500,000, which sum the Chinese borrowed from the Hongkong Government and thus virtually handed over to British interests the rights surrendered by the Americans.

China, at that time made America pay the price for the breach of faith, an error which was not committed with intention, as the shares were bought up on the market privately. But leaving out of the question the feelings of the Americans who had been duped by the Belgians and pushed out with the aid of the British, the main object of the latter was achieved, and the Belgians and their Russian partners were blocked in their scheme to secure control of the through trunk line.

China was saved, and the British position was secured in the South Yangtsze region, but the Americans have never forgotten or forgiven the intrigues which made them lose face with China, and which held them up to the ridicule of the financial world. Those on the inside knew that in due time the situation would be repeated, and they have patiently waited to see what attitude China and the other interested parties would assume when the shoe became transferred to the other foot.

Having now clearly demonstrated the designs of the Franco-Russo-Belgian combination which were frustrated in this great scheme we can take up and trace the other ramifications of the general policy of these political and commercial allies. But before pursuing the matter further it may be well to point out that the title of the Franco-Belgian Syndicate who secured the concession for the Peking-Hankow line was the Société d'Etudes de Chemins de Fer en Chine, an organization which, as will appear later, was in reality the agent for Russian political designs on China.

ACTIVITIES IN WESTERN CHINA

As pointed out in the commencement of this article, one of the great dreams of Russia has always been to

secure control of the approach to Peking through the Kalgan Pass, and at the time that France secured the concession for the Yunnan line, and subsequently, the French and Russian papers—reflecting the political sentiments of their governments—devoted considerable space to the advisability of securing the concessions for another trunk line through Western China, to connect at Kalgan with the Trans-Mongolian project, to then strike south through Taiyuanfu to Sianfu, and thence to Chengtu and Yunnanfu, where it would link up with the French line to the sea at Haiphong.

Such a line was purely for the advancement of Russia's strategical position in China and Central Asia. It would complete a trunk line bi-secting China to the west, away from the coast and the interference of other Powers; would bring the northwest and western provinces within the Russian sphere of influence, and, when the line connecting with Urga was completed, would constitute a through military line for an army of penetration from both North and South. These lines have appeared in many foreign maps and have been designated as Russian projects, and to those who have studied the railway policies of the various Powers in China, no other construction can be placed on the designing of the lines.

It will be remembered that in 1898 the Russo-Chinese Bank secured the concession for the line from Chengtingfu to Taiyuanfu. The question arises, why did Russia seek a concession in the province of Shansi? The answer may perhaps be found in the verbal agreement given by H. E. Sheng Kung-pao (the then Minister of Communications) to the Russo-Chinese Bank, that if the Bank constructed the line to the satisfaction of the Chinese Government, they would be accorded the right to construct the extension from Taiyuanfu to Sianfu. It is well to bear the fact in mind that the right to construct the extension was promised to the Russo-Chinese Bank.

Shortly after the Russians secured the concession for the Taiyuan line, the Belgians succeeded in signing the agreement for a line from Kaifeng to Honanfu, along the Yellow River. Why did the Belgians set such store upon a short, apparently insignificant line that began nowhere and ended nowhere, and had no outlet to the sea except over the rails of the Peking-Hankow line?

Was it simply to act as a feeder for the main line? That was the impression allowed to prevail. The real answer, perhaps, may be found in the fact that the Agreement gave them the right to construct the extension to Sianfu.

Was there any coincidence in the fact that both these lines had the same destination? It is competent, in the light of later events, to argue that both these innocent agreements for short unimportant lines followed a well defined and deep laid policy for the control of northwest China.

In the French Yellow Book of 1900, the French Government frankly states that although the concession for the Taiyuan line was secured by the Russo-Chinese Bank, the construction and operation of the line had been entrusted to the French Group in the Russo-Chinese Bank. The same Book also officially states that the Compagnie Général de Chemins de Fer et de Tramways en Chine, which had secured the Kaifeng-Honan Concession, was in reality a Franco-Belgian Company, and this indicates the predominance of the French capitalists in the concern. It is a significant fact that after the Taiyuan line was completed, and the Russians had handed over control to the French section of the syndicate, that the petition to the Waiwupu for the privilege of extending the line to Sianfu, as promised by H. E. Sheng, was made by the Belgian Minister at Peking. Here we again have the most convincing evidence of the harmony of interests binding Russia, France and Belgium.

RUSSIA'S RENEWAL OF ACTIVITIES

At this time, or about four years ago, Russia's prestige had declined in China as a result of the war with Japan, and it was necessary to entrust her interests to her ally and agent until she could resume diplomatic activity in Peking on her own behalf. Russian policy in Asia never changes; it may be checked at times, but Russia quietly awaits her opportunity and at the right moment presses forward and regains her lost ground. Thwarted by Japan and Britain in gaining her ice free port at Dalny, she has had to readjust her position and policy to the changes brought about by the war. Russia must have such a port for the development of her great Asiatic Empire, and, as she has none of her own, she must necessarily take it by force from her neighbor, which, in this case, is China. As she is not yet ready again to try conclusions with Japan and her formidable ally, she has had to attack the problem from the flank and press her borders out at the expense of China, and with the aid of her ally and her agent attempt to gain in China Proper what she has had to relinquish in Manchuria.

The Revolution presented her with the opportunity in Mongolia. The dominance of Mongolia by Russia under the guise of acknowledging the independence of the Mongolians is fresh history. With the loss of her sovereignty over Outer Mongolia, China has to carry on a costly and tedious warfare against the Urga authorities who now claim jurisdiction over all the Mongol tribes, for the final possession of the Inner Strip. Why has Russia forced this issue on China at a time when the Government is struggling to hold the country together and preserve its integrity in the greatest crisis of its history?

The reason is not far to seek. Russia's plans are bearing fruit, and the dissensions and jealousies of the Powers and the Bankers have presented her with an opportunity, which she has profited by, to advance her interests.

THE NOTORIOUS "BELGIAN LOAN"

We must go back to the time of the Revolution and trace briefly the struggles of both sides to secure funds to carry on the war. All the foreign Governments had agreed to maintain neutrality, and through their control of the Quadruple Financial Groups, the four large lending nations had effectively closed the door to any independent loan. Up to this time, Russia and Japan, owing

to their being borrowing nations, had not actively entered into the competition to finance China, except in a small way. But the Revolution with its iron bound monopoly of the Quadruple Group opened the way for their activities. Russia's opportunity had arrived.

In November, 1911, there arrived in Peking at a time when the financial deadlock was in force, a new figure in Chinese banking circles, who represented what was claimed to be an independent international syndicate. This gentleman was M. de Vos, who had been promoted from the Belgian Consular service to the head of an exceedingly strong financial group. M. de Vos had been Belgian Consul General at Tientsin and afterwards at Kobe, and when home on a vacation he was selected to head the new "independent" group.

The group was composed of the Russo-Asiatic Bank (previously styled the Russo-Chinese Bank), the Sino-Belgian Bank, Banque d'Outremer, Société Générale de Belgique, Société Belge d'Etude de Chemins de Fer en Chine, Eastern Bank, Limited, J. Henry Schroeder & Co., and A. Spitzer & Co.

It was a significant fact that although the Russo-Asiatic Bank had its own branch and capable financial agent in Peking, the leadership in the new group, in which the Bank was included, was entrusted to a Belgian Consular official. This naturally gave rise to the impression that M. de Vos was in reality a special agent sent to China to work in harmony with the Bank for railway and other concessions and Government business, which the bank itself was prohibited from undertaking owing to the convention with Great Britain defining the Russian sphere as practically north of the Great Wall. Otherwise why should such a group be organized, with the Russian Bank in the leading role, and its negotiations be entrusted to a Belgian Consular official with no previous training as a financier? The work of M. de Vos since he arrived in Peking has, in the mind of critics, fully confirmed the above surmises.

After successfully negotiating a few minor financial transactions he was ready for the real work he was undoubtedly sent to do. The then Premier was badly in need of funds for administrative purposes, and the only available asset left to offer as security for the tottering Manchu Government was the Kalgan railway. The then Acting Minister of Finance had tried to secure a loan for £1,000,000, on the security of the Kalgan line, from America. Although this sum represented the entire cost of the line, American bankers would not listen to such a proposition. But the representations of their agent in Peking convinced them that the line was a valuable one, and that the Chinese would only concede this loan to America for fear of its falling into the hands of Russia if the loan were raised in Europe. The American bankers were willing to advance the funds, but were prohibited from so doing by the command of the American Government, who refused to permit the neutrality agreed upon by the Powers to be broken. The American bankers were consequently compelled to retire, but still endeavored to maintain a footing for this loan. The Americans were specially urged by the Chinese to take up the loan on the grounds that it was an established policy of the Chinese Government never to permit the Kalgan line to fall under the influence of any European Power, for fear that Russia might be interested and so secure the control of the much-coveted approach to Peking. Only to America, it was then declared, would the Chinese consent to mortgage this line, and the Americans interested believed the specious and logical arguments adduced, and were prepared to lend the money as soon as the embargo on independent loans was raised by the Powers.

When Yuan Shih-kai was proclaimed provisional President of the Republic and Tang Shao-yi was appointed Premier, one of their first acts was to enter into an agreement with the Quadruple Group for the immediate financing of the country, giving them an exclusive option on all loans. This agreement was in the shape of a letter signed on March 10, 1912, but the first act of the new Government after that date was to sign a loan for £1,000,000 with the Belgian Group, headed by M. de Vos, giving the Kalgan line as security. The new Government knew that the Americans stood ready to advance this sum, but they deliberately signed the loan, and herewith handed over the Kalgan railway as security, forgetful perhaps of the policy of the previous Government in this regard, and ignorant, no doubt, of the close connection of the Belgians with the Russians.

So once again the Belgians scored, and once again the Chinese had to pay dearly for the breach of faith with the Quadruple Group, and incidentally caused the world to lose confidence in the integrity of their most brilliant diplomatic official. If it had not been for the vigorous protest of the Powers, which compelled this "Belgian" loan to be covered by the Reorganization loan, the Kalgan line would now be effectively mortgaged to Russia under the flimsy disguise of a Belgian loan.

RUSSIA IN THE SEXTUPLE GROUP

When the time came for the negotiation of the Reorganization Loan, Russia and Japan demanded and received admission into the official Quadruple Financial Group, which then became known as the Sextuple Group. The new combination arrived at a mutual agreement amongst themselves as to the division of future business in China, and the names of all the Banks constituting the various Groups were then set forth in that document. The Russian Bank signed the Inter Group Agreement, acting for the following parties, known as the Russian Group. These names should be carefully noted, as they fully corroborate the fact that the Belgians are in reality acting in China on behalf of Russia, and that M. de Vos, in his capacity as the head of a Belgian syndicate, must likewise be regarded as an agent of Russia, although engaged professionally as a Belgian financier. The names of the Russian Group are:

BANQUE RUSSO-ASIATIQUE
A. SPITZER & COMPANY
J. HENRY SCHROEDER & COMPANY
EASTERN BANK, LIMITED
BANQUE SINO-BELGE
SOCIÉTÉ BELGE d'ETUDE DE CHEMINS DE FER EN CHINE
SOCIÉTÉ GÉNÉRALE DE BELGIQUE
BANQUE D'OUTREMER (BELGIAN)

Or, in other words, this is the identical Group for which M. de Vos had been acting up to the time the Russians were admitted into the Sextuple Group. With the above names before us, it is well to stop and analyze the composition of the Group before proceeding further.

The Peking-Hankow Railway Concession was signed by the Belgians in the name of the Société Belge d'Etude de Chemins de Fer en Chine, which, according to the French Government Yellow Book of 1900, was a Franco-Belgian syndicate, in which the Belgian share was only

40 per cent. We have seen that the Russo-Chinese Bank (now Russo-Asiatic Bank) was the official Bank in China for the service of the loan during construction, and we now find the suspicions of 1898 openly confirmed, and the Société Belge d'Etude de Chemins de Fer en Chine, is unblushingly a component part of the official Russian Group at the actual moment. This amply proves the part played in 1898 and discloses the real character of the concern.

The Kaifeng-Honan Railway Concession was signed in 1899 in favor of a so-called Belgian syndicate called the Compagnie Générale de Chemins de Fer et de Tramways en Chine. The French Yellow Book for 1900, however, describes this as a Franco-Belgian syndicate, indicating that the French element predominated, and although the actual proportions of the shares are not given it is fair to assume that it was at least half, if not similar to the other concession in which the Belgian interest was officially only 40 per cent., which included the Russian share.

FROM RUSSIA TO THE SEA

It is a remarkable and significant coincidence that M. de Vos, quietly working in Peking for the advancement of purely Belgian interests, though at the head of what was afterwards admitted as the official Russian Group, should secure the concession for the extension of the Kaifeng-Honan railway on behalf of the Cie Générale de Chemins de Fer et de Tramways en Chine. The original concession only gave the company the right to the extension westwards from Honan to Sianfu, but we find, in the actual loan agreement, that he not only succeeded in having this extended to Lanchowfu, but also obtained the right for a further extension to Suchow-fu, while to the eastwards the line was continued from Kaifeng to the sea at Haichow.

A little reflection and study of the map should convince one that this is an essentially Russian project, and dovetails into the Great Trans-Asian line which has always been set aside for Russia. As the continuation westwards from Suchowfu must necessarily ultimately connect with Russia's Central Asian system, and constitute a through trunk line from Central Asia to the heart of China and the seacoast, it must have met with the hearty support of Russia.

If Russia denied the right of China to construct the Chinchow-Aigun line under American financiers and British contractors, as constituting a menace to her strategical position on the Amur, would she not have prevented the construction of the line to Lanchow and Suchow if the agreement had been made with any country other than her ally or her agent? That is a fair question.

Everything points to the conclusion that this line was secured by M. de Vos in furtherance of Russia's special interests for the penetration of China from Central Asia, and to give to Russia, when the time comes, the right to a port on the coast of China.

The acquirement by alleged purely Belgian interests of the right to build this railway was one of the greatest victories achieved by Russia under the nose of her opponents, and in the future will have a far reaching effect upon the destinies of China and the position of Great Britain in the Yangtsze valley.

Always bearing in mind the desires of Russia for an ice free port, we can now follow more intelligently the course of events since the loan agreement was quietly signed. The ostensible terminus of the line was placed at Haichow, a small port south of Shantung. Every skipper on the China coast knows that a port can only be created at Haichow with the initial expenditure and continuous outlay of huge sums of money, and for all practical purposes it is worthless. But Russia or her agent could not openly seek an outlet into the Yangtsze without incurring the displeasure of Great Britain, so the terminus was quietly left at Haichow, and meanwhile work was commenced and surveys made on the line itself.

HOW THE YANGTSZE WAS REACHED

We must now divert and turn to another phase of the situation to elucidate how the difficulty of the port was quietly overcome. Some years ago the concession for a line from Tsingkiangpu, on the Grand Canal, to Tungchow, at the mouth of the Yangtsze River, was granted by the Central Government to a provincial concern known as the Kiangsu Railway Company, and only a few miles of poorly constructed line had been built out of Tsingkiangpu when the funds were exhausted. All work was consequently stopped and an attempt was made to secure further capital either from the Government or by a foreign loan.

On January 15, 1913, the representative of the Kiangsu Railway Company entered into an agreement with a continental financial agent for a loan of £1,250,000 for the construction and equipment of a line from Tungchow to Tsingkiangpu. The loan agreement was countersigned by the then Minister of Communications, and thus a Government loan, without supervision, was granted for the benefit of a purely private railway. The issue price in the loan agreement was stipulated at 93, but as the financial agent had emphatically stated that he could not give more than 90, it was arranged and provided for in another clause that the difference between the real and fictitious price would be paid back to the Bankers who might take up the loan as a lump sum payment for their services in supervising the construction and equipment of the line. Needless to say no reputable Banker could be found who was ready to sacrifice his reputation by becoming a party to such a palpable attempt to deceive the Chinese public as to the real issue price, and as a consequence the loan could not be negotiated in Europe.

When it was realized that this loan was impossible and that the port of Haichow could not serve as the terminus of a through trunk line, according to Chinese reports, it was quietly arranged to change the terminus of the line to near Tungchow. The Tsingkiangpu-Tungchow line, controlled by the Kiangsu Railway Company, was nationalized, and it was then incorporated as a part of the Lung-Tsung-U-Hai line.

The result of this manœuvre is that the Belgians have quietly secured a through line from Central Asia to the mouth of the Yangtsze River, with a good port which can be developed to accommodate ocean-going steamers.

The British Government was asleep, China was hypnotized, and now they awaken again to find that another clever move has been made and that Belgium has secured for her ally the great object of her dreams, an outlet to a deep warm water port on the Pacific, and one may be excused for conjuring in one's mind a picture of the not distant future when the Russian Bear will be squatting on the north bank of the Yangtsze, near Tungchow, grinning at the discomfited Lion on the other bank at Shanghai, or Woosung, its port, while Chanticleer will crow from any and every eminence available.

BELGIAN REPRESENTATION IN PEKING

When the Lung-Tsing-U-Hai Loan Agreement was signed by M. de Vos, on behalf of the Cie Générale de Chemins de Fer et de Tramways en Chine, he was particular to state in the agreement that the syndicate was domiciled in Brussels. But there is the evidence of the French Yellow Book that the company is controlled in Paris, and we know that at the time the document was signed, M. de Vos was the head of the Belgian syndicate in the official Russian Group. When the Russians were admitted into the Sextuple Group, and the Agent of the Russo-Asiatic Bank in Peking assumed the leadership of his national organization, the old concern ap-

pointed M. de Vos as the representative in Peking of the Sino-Belgian Bank, a subsidiary of the great Société Générale de Belgique.

During the negotiations for the Lung-Tsing-U-Hai railway loan M. de Vos received the active support and assistance of the Belgian Consul-General at Tsientsin, M. Disiere, and it is significant that after the loan was signed, the Belgian syndicate, again following the example already created, selected him for the important position of its representative in China, and M. Desiere now has his office with M. de Vos in the Sino-Belgian Bank, Peking. Of course this precedent had been set by other countries, who had elevated men from the consular and diplomatic service to represent their national financial institutions in China, as witnessed in the case of Mr. S. F. Mayers, formerly of the British Legation, and now head of the British and Chinese Corporation; Mr. Willard Straight, who left the American Consular service to serve his country through the management of the American Group; Herr Cordes, a graduate from the German Consular service, and others. The fact remains, however, that these men were selected for their special knowledge of the political situation in China and their intimacy with the officials rather than for their previous experience as financiers.

THE TATUNG-CHENGTU LINE

M. de Vos did not rest with his success in the Lung-Tsing-U-Hai loan. His work was only half completed and he had still to secure another line, which would obviously be the other great link for the furtherance of Russia's original dream. He had to work quickly and quietly as President Yuan Shih-kai had confided to Dr. Sun Yat-sen the right to finance and construct the future railways of China. But M. de Vos never consulted Dr. Sun at Shanghai. He remained at Peking and kept quietly at work negotiating with the Peking authorities, whom he knew and understood. The result was that on the 4th of August, last year, he was able to cable to Europe that he had at last secured the concession for the line from Tatungfu, in Shansi, near the Mongolian frontier, through Sianfu to Chengtu, the capital of the province of Szechuan. The Ta-Cheng line the Chinese have called it. It means in Chinese the "Great Achievement," a phrase possessed of considerable irony when regarded from the Russian point of view.

The "Great Achievement" was signed by M. de Vos on behalf of the Société Générale de Belgique, the important Belgian financial institution which is allied with the greater Société Générale of Paris. There can be no doubt of its financial strength, and its position as the leading Belgian Bank, but when we again scan the names of the Banks composing the Official RUSSIAN GROUP, we find the name of the Société Générale de Belgique, with its subsidiaries, the Sino-Belgian Bank and the Banque d'Outremer.

If the Société Générale de Belgique is a purely Belgian enterprise, what is its name doing in the Official Russian Group? It is well known that the Societe Générale de Paris is largely interested in the Belgian concern of the same name, and if their interest is in the same proportion as similar combinations, and if the Russians have also a share in the loan, it would appear that the legitimate Belgian interest in the "Great Achievement" is again not what we are led to suppose.

The Chinese, perforce, were elated in the belief that they had outwitted the official Banks and brought about the crowning consummation to years of struggle against the financial monopoly. They have secured more and more liberal terms from the Belgians, and the Managing Directors appointed under the loan agreements have absolute power. They can construct the lines almost as they wish. The Belgians, it seems, have been unable to find a proper Engineer-in-Chief for the Lung-Tsing-U-Hai line and the work is progressing under the direction of assistants appointed by the Managing Director. They have brought about the "Great Achievement", and for a time they feel well satisfied with their work.

But the day of reckoning will come. It is coming. And the Chinese officials now in power are beginning to see it. The hand of Russia is as unmistakably shown in the Tatung-Chengtu Agreement, as it is in the absorption of Mongolia and the present struggle for the control of the Inner Strip.

As China is gradually forced to concede Inner Mongolia to the warlike tribes from the North, and the Inner territory comes under the influence of the so-called independent Mongolian Government, Russia will be seen reaching out to reap the reward of her diplomacy, and the Cossack will pace the Great Wall of China as the outpost of her new frontier.

In the hope of doing something to stave off this calamity, which the present rulers of China appear now to recognize as impending, a Presidential Mandate was issued on January 8, throwing Kalgan, Kweihwachang, Dolonor, Chihfeng, Taonanfu and Lungkow open to foreign trade. It is almost a forlorn hope that the merchants of other nations will be attracted there in sufficient numbers to offset the march southwards of Russia. Russia will persevere, and when the time comes, and the long talked of line from Urga to Kalgan or Kweihwachang is finally built, Russia will find a ready-made connecting link with Peking via Kalgan and across western China from Tatung, whereby she may join hands with her ally in Yunnan; and no Power or combination of Powers in the world can say them nay.

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On another page will be found the call for a National Foreign Trade Convention to be held at the Hotel Raleigh, in Washington, on Wednesday the 27th and Thursday the 28th of May. It will be perceived that this Convention will meet under the auspices of the American Manufacturers Export Association, the American Asiatic Association, and the Pan-American Society of the United States, as well as of other leading commercial organizations throughout the country interested in the promotion and development of our foreign trade. The support of this Association was pledged through its Executive Committee, and it is believed that this action meets the approval of the general body of the membership. The topics selected for discussion embrace a consideration of the present commercial conditions in the United States with special reference to foreign trade; foreign trade as affected by the Sherman Law; the effect of the federal reserve act upon the methods of financing American production for foreign trade as well as upon the transactions of that trade itself; the tariff and foreign trade; the relation between the position of the commission merchant and that of the producers of the articles entering into foreign trade; the importance of foreign trade to the railroads, and a general treatment of the possibilities of the chief markets in which American exporters and importers are already represented. As there will be but four sessions of the Convention, it would obviously be impossible to allow time for reading all the papers scheduled as well as to find time for their discussion. Hence the papers to be presented to the Convention will be issued in advance so as to be in the hands of delegates before the sessions at which they will be discussed. Special care will be taken to allot the treatment of the subjects coming before the Convention to men identified with practical affairs and especially conversant with the matter submitted for discussion. The result of the deliberations of such a body can hardly fail to be of powerful assistance toward the promotion of American commerce in the markets of the world.

A very able and exhaustive survey of the past history and future prospects of the people of Outer Mongolia, by the Hon. William W. Rockhill, is published in this number of the Journal as a monograph of the Asiatic Institute. As Mr. Rockhill points out, the descendants of the Mongol

conquerors are very much at the mercy of their neighbors. The last limits and boundaries of this race, which seven centuries ago conquered nearly the whole of Asia and part of Europe, have begun to disappear in the crucible formed by Japan and China on the one side and Russia on the other. Russia's action in Mongolia is admitted to be purely defensive; "begun with hesitation it has been followed with some misgivings, but in all its stages it has been in perfect conformity with the general policy in Eastern Asia pursued for the last six years, and which is based on the profound and general belief among all classes in the Yellow Peril." In the judgment of Mr. Rockhill there is obvious wisdom in the present policy of a minimum of interference on the part of the Russian Government in the affairs of Outer Mongolia so long as the cardinal principles of their defensive policy in the Far East are fully recognized by all interested powers. He thinks that the strict enforcement of these principles may some day carry Russia much further than she desires, but until there is another general reverse of her policy in Far Eastern Asia, this seems unlikely; things in Outer Mongolia will go on much as before.

INTERVIEWED at Peking by a representative of the *Daily News*, Mr. Rockhill gave some very sensible advice to his friends who are in control of the destinies of the Chinese Republic. He disclaims either intention or desire to be enrolled in the list of the foreign advisers of China. In fact, he took occasion to point out that China has too many advisers already, and that the fundamental problems of the Republic must be solved by the Chinese themselves. China has a history of four thousand years standing, and the people have historical precedents in abundance from which they can generally get some ideas with regard to the system of government best suited for the nation. Mr. Rockhill accordingly contends that it is necessary for the Chinese to retain part of their old institutions in the introduction of new elements, and above all he thinks the fact cannot be too much emphasized that it is for the Chinese themselves to work out their own salvation, slowly, quietly and deliberately. He has no doubt about the ability of the Chinese to do this, because they are self-denying, devoted to their work and peace-loving. He closed the interview, which will be found reported on another page, by paying a tribute of personal appreciation to the administrative ability, the statesmanship and the patriotism of President Yuan.

THE monograph of the Asiatic Institute on the desecration of Chinese monuments, which was published in the April number of the JOURNAL, has attracted widespread attention. Officials of fifteen institutions have offered support and co-operation toward the suppression of the vandalism and destruction of antiquities in China therein described. These include the officials of the Smithsonian Institution, American Museum of Natural History, Yale University, the Universities of California and Minnesota, the Archeological Institute of America, Oberlin College, the International Committee of the Young Men's Christian Association, and the Board of Foreign Missions of the Presbyterian Church. It was recommended that the Asiatic Institute secure the support of prominent institutions and individuals to a joint memorial to be addressed to the President of the Chinese Republic as the simplest and most direct means of promoting the end in view. Such a memorial has been drafted, as well as the one accompanying it, which it is proposed to address to the Secretary of State of the United States. It is earnestly to be desired that these documents should be numerously and influentially signed.

LIKE everything that comes from the pen of Professor F. Wells Williams, the paper on the Problem of Labor in the Philippines, which we reproduce in this number, will be found equally instructive and suggestive. To the clear-sighted intelligence of Prof. Williams there can be no profitable discussion of the question of our right to control the Philippine Islands and their people. The control has been acquired, and unless a political revolution in America ensues, the only discussion profitable to the economist and the statesman concerns the manner in which we exercise that control. Hence, as Mr. Williams adds, the time required for the fulfillment of the pledge made to ourselves of ultimately releasing the Filipinos from a condition of tutelage is so considerable as to leave a determination of the date of full independence to another generation. Those in charge of this difficult business are compelled to administer their trust on the theory that it will be continued to its completion. "For them to act otherwise would be at once cowardly and cruel, and it is as difficult as it would be ungenerous to suspect the civil and military officers employed in those Islands of being either." All of which has lost none of its force; in fact has rather acquired added force, from the fact that a new theory of Philippine administration is being attempted which proceeds on a deplorable lack of recognition of the considerations so calmly and forcibly presented by Prof. Williams.

THE statistics of our Chinese trade for the eight months of the fiscal year ending with February show a marked improvement over the corresponding period of last year, but only a very slight advance over the figures of 1912. Under the head of imports from China there has been, compared with 1912, an increase of $6,700,000, but the exports remain about stationary. The total of our exports to Japan continues to grow, though not so rapidly as the imports, the latter having advanced during the eight months from $65,000,000 to $75,500,000. The sum of exports to the Philippine Islands again slightly exceeds that to China, although China has resumed her primacy as the chief market for cotton cloths. Japan has hopelessly distanced all competitors in the amount of raw silk she sends us, her share being already more than two-thirds of our whole import.

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, 1913 and 1914.

EXPORTS TO CHINA.

Months.	Cotton Cloths. Yards.		Mineral Oils (illuminating). Gallons.		Wheat Flour. Barrels.	
1912						
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
November	4,465,586	312,753	4,610,300	267,220	1,626	6,591
December	4,140,282	285,499	3,208,710	266,649	8,096	30,853
1913						
January	7,096,890	481,040	2,988,096	134,464	11,264	44,611
February	7,005,113	489,324	3,385,530	293,367	35,988	139,183
Total	34,848,958	$2,421,539	36,528,650	$2,542,275	60,711	$236,675
July	13,861,576	947,287	7,367,800	400,559	8	48
August	5,839,825	398,458	2,029,963	101,498	3,128	12,545
September	12,196,195	815,514	7,188,242	388,354	13,763	53,191
October	8,478,971	606,864	5,586,934	403,697	36,881	150,509
November	6,030,732	414,584	11,169,900	763,814	22,163	80,728
December	10,123,497	696,682	1,587,995	142,924	19,403	76,033
1914						
January	5,834,057	374,844	5,862,678	550,580	20,438	83,928
February	5,917,505	386,094	3,933,710	365.668	9,128	37,567
Total	68,212,358	$4,640,327	44,727,222	$3,117,094	125,912	$494,549

EXPORTS TO HONGKONG.

1912						
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
November	60,138	9,400	600,000	52,325	101,682	401,414
December	155,414	15,971	.....	.....	63,521	250,274
1913						
January	636,832	43,454	1,425,810	151,888	60,862	228,941
February	163,478	25,420	.....	.....	102,121	410,463
Total	1,437,966	$157,159	2,026,090	$204,242	814,205	$3,206276
July	101,998	16,568	3,659,160	258,103	143,689	572,237
August	155,718	20,489	.....	.....	49,897	202,209
September	109,192	16,476	487,143	45,342	27,423	105,366
October	132,835	20,351	2,755,658	161,053	157,358	617,471
November	47,646	6,924	950,000	89,300	174,918	699,052
December	55,790	10,469	850,000	79,899	191,375	736,979
1914						
January	26,947	4,210	3,069,936	154,129	156,240	630,482
February	37,817	5,925	2,313,350	137,351	45,483	182,177
Total	667,943	$101,412	14,085,247	$925,177	946,383	$3,745,973

DEPARTMENT OF COMMERCE,
Bureau of Foreign and Domestic Commerce.

WASHINGTON, D. C., April 4, 1914.

Imports of Tea and Silk into the United States for the eight months, ending February 28, 1912, 1913 and 1914.

TEA.

Imported from	1912. Pounds.	1912. Dollars.	1913. Pounds.	1913. Dollars.	1914. Pounds.	1914. Dollars.
United Kingdom	10,139,682	2,652,752	8,453,435	2,394,103	9,668,531	2,604,029
Canada	1,693,726	479,444	1,938,948	556,129	1,864,935	528,115
China	15,504,536	2,009,188	21,543,831	2,999,170	18,223,912	2,527,981
East Indies	9,100,746	1,538,844	7,443,045	1,192,891	6,745,351	1,159,302
Japan	50,310,356	8,463,633	41,268,795	7,145,025	36,660,549	6,103,628
Other countries	572,301	103,464	756,436	146,526	799,506	155,687
Total	87,323,347	15,247,325	81,404,490	14,433,844	73,962,784	13,078,742

SILK.

RAW, OR AS REELED FROM THE COCOON. Imported from	Pounds.	Dollars.	Pounds.	Dollars.	Pounds.	Dollars
France	58,737	212,102	99,090	283,099	32,553	115,729
Italy	1,069,711	3,873,829	1,818,366	6,695,486	1,136,777	4,917,451
China	3,170,899	7,321,182	4,015,055	9,951,506	4,196,669	10,988,185
Japan	9,729,622	31,621,710	12,249,103	40,343,008	14,459,495	49,381,227
Other countries	138,834	486,173	111,866	406,647	271,069	1,000,382
Total	14,167,803	43,514,996	18,293,480	57,679,746	20,096,563	66,402,974

NATIONAL FOREIGN TRADE CONVENTION

The following call has been issued for a National Foreign Trade Convention to be held in the Hotel Raleigh, Washington, D. C., on Wednesday and Thursday, May 27-28, 1914:

The National Foreign Trade Convention will be held under the auspices of the American Manufacturers Export Association, American Asiatic Association and the Pan-American Society of the United States, and other leading commercial organizations throughout the country interested in the promotion and development of foreign trade.

The purpose of the Convention is to give expression to the views of men representing the productive activities of the country in regard to the more effective promotion of American commerce in the markets of the world.

The success of this Convention must largely depend upon the presence of representative manufacturers, merchants and others from every section of the country, comprising all branches of industry.

The papers to be presented before the Convention will be prepared by men identified with the conduct of practical affairs, and will be issued in advance so as to be in the hands of delegates before the sessions at which they will be discussed. In this way a full and free expression of sentiment from the collective membership of the Convention will be made possible, and such an interchange of views as may tend to greater unity of effort will be facilitated.

(Signed) GENERAL COMMITTEE:

LLOYD C. GRISCOM, *Chairman*,
JAMES A. FARRELL,
CHARLES E. JENNINGS,
CHARLES A. SCHIEREN, JR.
WILLARD STRAIGHT,
EUGENE P. THOMAS,
ELLISON A. SMYTH,
ALBA B. JOHNSON,
HENRY WHITE,
CHARLES M. MUCHNIC,
FREDERIC BROWN,
EDWARD V. DOUGLASS,
JOHN FOORD,
P. A. S. FRANKLIN.

E. V. DOUGLASS, *Secretary*,
66 Broadway, New York.

The Committee on Plan and Scope have submitted the following tentative programme of the proceedings:
Convention hours: 10 a.m. to 12:30 p.m.——2 p.m. to 5 p.m. (Both days).

Dinner on the evening of May 27th.

First Session, May 27th, 10 a.m. to 12:30 p.m.
Honorable Lloyd C. Griscom, Presiding.

1. Address of the Chairman.
2. Address.
3. "Present commercial conditions in the United States, with special reference to foreign trade."

Commercial conditions in:

4. Northern States.
5. Eastern States.
6. Central States.
7. Southern States.
8. Gulf States.
9. Western States.
10. Pacific Coast.

Second Session, May 27th, 2 p.m. to 5 p.m.

_____, Presiding.

11. "Foreign trade as affected by the Sherman Law."
    (a) Large corporations best fitted effectively to handle foreign trade.
    (b) Desirability of specifically permitting combinations of American manufacturers for foreign, as distinct from domestic trade.
12. "The Trade Relations Bill on Foreign Trade."
13. "The Federal Reserve Act and its effect upon the methods of financing American production for foreign trade."
14. "The Tariff and Foreign Trade."
    a. Foreign discriminatory tariff legislation.
    b. Preferential tariffs.
    c. Reciprocity treaties.
15. "The Balance of Trade."
16. "Logical relation between the position of the Commission Merchant and the Import and Export Trade, with special reference to the desirability of attempting to secure raw materials in countries to which we desire to export our manufactures."
17. "Importance of Foreign Trade to the Railroads."
    a. What an increasing foreign trade will do for the railroads.
18. "Ocean Transportation."
    a. Question of Merchant Marine.
    b. Present shipping facilities and how they can be improved.

Third Session, May 28th, 10 a.m. to 12:30 a.m.

_____, Presiding.

19. "The Panama Canal and Latin-American Trade Possibilities."

General Description of Foreign Markets.

20. "Our Colonial Possessions."
    a. The Philippines, Hawaii and Porto Rico.
    b. What can be done to increase their consumption of American manufactured goods by stimulating their production and our purchasing from them the bulk of the enormous amount of tropical products which this country requires.
21. "South and Central America."
22. "The Orient—China and Japan."
23. "The Near East."
24. "South Africa and Australia."
25. "Europe."

Fourth Session, May 28th, 2 p.m. to 5 p.m.

_____, Presiding.

26. "The Diplomatic and Consular Services."
    a. What they have done and what they can do for foreign trade.
27. "Department of Commerce."
    a. What it is doing for foreign trade.
    b. Proposal to establish commercial attachés.
28. "The Federal Reserve Act, with special reference to the extended facilities which it offers for financing our foreign trade."
29. "Foreign Trade and Foreign Loans."

THE PRESIDENT AND THE RED CROSS PLAN.

WASHINGTON, April 10.—President Wilson warmly approves the plan of the American Red Cross to supervise a $20,000,000 project for flood prevention in China. Just before the Senate adopted a resolution this week authorizing the President to lend the services of an army engineer for the work he wrote this letter to Senator Chamberlain:

Washington, April 7, 1914.

My Dear Senator Chamberlain:

I learn that the Congress is to be asked to pass a joint resolution which would authorize me to grant leave of absence to an officer of the Corps of Engineers of the Army to assist the Republic of China in the conservation work connected with the control of the waters of the river system there.

The Government of China, as you know, has been generous enough to let the American Red Cross Society take supervision of this work, and it is the earnest desire of the society that it should be under the general supervision of an engineer of the army.

This is so singular an evidence of the usefulness of a disinterested body in serving a great nation just awakening that I sincerely hope it may be feasible to grant this permission.

Sincerely yours,

WOODROW WILSON.

THE QUESTION OF OUTER MONGOLIA

BY THE HONORABLE W. W. ROCKHILL

*MONOGRAPH OF THE ASIATIC INSTITUTE**

The reversal of Russian policy which followed the termination of the war with Japan was caused, not only by a realization of that country's military power, but also by the manifest signs that China was adopting a forward policy and that her successful assertion of her rights of sovereignty over her outlying dependencies, Mongolia and Tibet, and her possible ulterior political union with Japan, would expose the sparsely peopled and very imperfectly developed far eastern provinces of the Russian Empire to the pacific encroachments and their possible ultimate economic subjugation by the yellow races—the Jews of the East.

Henceforth the dominant idea of Russian policy became the salvation, at all costs, of the provinces east of the Baikal from the yellow peril, and the building up in them of a strong, homogeneous, Slav bulwark, which could successfully resist its insidious attacks. In order to attain this end and to rid herself of this obsession, Russia has not hesitated within the last few years to sacrifice substantial interests, and to pour out vast sums of money in the maintenance of her position in her far eastern provinces and Northern Manchuria. She has concluded a series of conventions and agreements with Japan conceding her various valuable rights, and gaining only, in return, a sense of greater security for the future. She has seriously retarded the development of her Pri-Amur provinces, into which Russian emigrants come reluctantly at best, by the passage of laws against yellow labor, and has discriminated against Northern Manchurian trade generally, but her efforts to increase thereby Russian colonization, agricultural development and the supply of white labor in these regions, have had but the smallest modicum of success. Finally, she has been led to adopt a forward policy in Northern Mongolia and to attempt to create there a buffer-state, in the hope of arresting in that direction the peaceful penetration of the dreaded Chinese.

Russia's action in Mongolia is without doubt purely defensive; begun with hesitation it has been followed with some misgivings, but in all its stages it has been, as I hope to show in this paper, in perfect conformity with the general policy in Eastern Asia pursued for the last six years, and which is based on the profound and general belief among all classes in the yellow peril.

The historical and political side of the question of Outer Mongolia is briefly as follows: In the latter part of the 14th century the Khalka Mongols, driven from Southern Mongolia by the first Emperor of the Ming Dynasty, took up the country they now occupy, and which lies south of Siberia, from Kobdo on the west to near Hei-lung-chiang on the east. They led an independent existence until the latter part of the 17th century, when a war broke out between them and their powerful neighbors, the Oelöt Mongols, in which they were defeated and driven to seek the aid of the Chinese. The great K'ang-hsi was then on the throne of China. In 1691 he called a great durbar of the Khalkas at Dolon-nor in south-eastern Mongolia, and there the Princes of Outer Mongolia gave in their submission to China, and accepted vassalage. Very recent Russian writers have asserted that on this occasion the Khalkas only accepted Chinese suzerainty on three conditions: (1) that their country should not be colonized by Chinese, (2) that no Chinese troops should be stationed within it, and (3) that their internal organization and customs should be respected. I have not been able after careful search to find any contemporary Chinese or foreign document which bears out this assertion, and I am inclined to doubt its accuracy. Du Halde (*Déscription*, IV 53) quoting, presumably, from the writings of Father Gérbillon, who was present at the great durbar of 1691, says, "And so this war (with the Oelöts) was ended to the glory of the Emperor, who has become the absolute Master of the whole Empire of the Khalkas, and of the Eluths, and has extended his dominion in Tartary to the confines of the Moscovites, which are for the most part bare and uninhabited forests and mountains." The Khalkas have, however, claimed, at least in the Preamble to the Urga Convention, if in no other official document, that the recent violation by China of these terms was the principal cause of their secession.

One of the principal instigators, if not the chief one, of this unfortunate war was a Mongol Lama, the brother of one of the most powerful princes of the Khalkas. He had been appointed by the Talai Lama of Tibet, the head of the Buddhist church in Outer Mongolia, and he bore the title of Jebtsum-damba Hutuketu. Shortly after his installation in 1650 he sought to create a schism in the church, and he had himself recognized as temporal ruler of the country. He was the first of the line of theocrats, all bearing the same title as he, which has since then practically ruled over the Confederation of Khalka Tribes.

In the middle of the 18th century the then Hutuketu established his permanent residence at the foot of a sacred mountain called the Bogdo-ula, which may be the burial place of Gengis Khan, and along the base of which flows the Tula River, an affluent of the Selenga. Near by a lamasery, called Gadän, was founded, and around it grew up the present town of Urga, Iké Kure, or Ta Ku-lun, as it is variously called, and which remains the only "city" of Outer Mongolia, though it ill deserves the name, notwithstanding its 30,000 odd inhabitants, of whom probably a third are lamas.

The first Hutuketu dying in 1724, was succeeded by another Mongol, but as he continued the separatist intrigues of his predecessor, causing thereby internal dissensions, the Chinese Government decided in 1754 that

the secular affairs of the country should be managed by a body of laymen, over which, shortly after, a Mongol Governor was appointed as President. In 1757 the second Hutuketu dying, it was decided by China that his successor should be a Tibetan, whose appointment should be confirmed by Peking, and, to further insure the submission of the Khalka tribes, a Manchu Resident, or Amban, with a small escort was sent to Urga in 1761, and a Tartar general to Uliassutai. Such has been substantially, till the year 1912, the organization of Outer Mongolia; the eighty-six *Khoshun*, or "Banners," forming the four *Aimak*, or "Tribes," of the Khalkas, enjoyed practically autonomous government, subject only to certain light charges and to minor restrictions on their general liberty of government, and without the presence of any Chinese troops within their confines, though Chinese traders and farmers have probably always been welcomed among them; at all events they have never been molested.

Shortly after the Khalkas took up their abode in the region confining on Siberia, the Russians entered into trade relations with them, first from the town of Selenginsk, which was founded in 1666, and later on (from 1727) from Kiakhta, on the frontier between the two countries.

It was only in 1860, however, that Russia obtained by the Treaty of Peking (Art. V) the right to establish a consulate at Urga, and that Kalgan, on the southern border of Mongolia was opened to her trade. Shortly after the present Russian Consulate was built to the east of Urga, between it and the Chinese trading town called Mai-mai-chen, and a Russian Buriat Mongol, Shishmarew by name, was appointed to fill the post. This he did for nearly fifty years, his successor having only been appointed in or about 1908.

In 1869 Russia and China signed a further convention at Peking for the land trade between the two countries. Article I provided for a free trade zone of a hundred *li* (30 miles) in the two countries along the whole of their frontiers, while Article II stated that "Russian merchants shall be at liberty to proceed to all parts of Mongolia—for the purposes of trade, and shall likewise be exempt from the levy of duty." This franchise (the Chinese always sought to limit it) accorded, Russian trade in Mongolia was reaffirmed in 1881 in the Treaty of St. Petersburg, Article XII, with the proviso, however, that, "this immunity shall cease when the development of trade shall necessitate the fixing of a customs tariff, after agreement between the two Governments."

Article XV of the same treaty provided for a decennial revision of this instrument if one of the contracting parties gave notice six months before the expiry of the term, so in 1910 Russia gave notice to China of her desire to negotiate a revision, in the hope of securing a further extension of the free trade enjoyed by her in Mongolia, which alone enabled her traders to compete there with the Chinese. The Chinese Government was then in the full flush of their "rights' recovery policy," and intent on nothing less than the absorption of Mongolia, the New Dominion, and Tibet, and their transformation into ordinary provinces of the Empire, with the consequent establishment of Chinese administration, an influx of Chinese emigration, and (in the case of Mongolia) its occupation by the military forces of the Empire, with, of course, the application of its general customs tariff, in which measures Russia saw great peril to her thinly populated border lands and the destruction of her trade.

The establishment of a considerable Chinese military force at Shara-sumé on the Russian frontier west of Kobdo, coupled with the impolitic activity of the Urga Amban, San Tao, who began erecting barracks for troops, taking steps to enroll the Mongols, browbeating the Hutuketu, the princes, and the people, and otherwise showing the lamentable lack of tact and discretion, which is a marked feature of the "Young China" reformer, confirmed the Russians in their apprehension of Chinese aggression along the whole line of their frontier. The dilatoriness of Peking in replying to Russia's request for treaty revision was an additional source of irritation to the Government of St. Petersburg, and so in the winter of 1910-1911 a small body of troops was concentrated at Semipalatinsk to counteract the presence of the Chinese at Shara-sumé, and, shortly after, in March, 1911, a peremptory demand was sent to Peking asking the confirmation of Russia's rights under the Treaty of 1881. To this China made no definite reply and the matter remained in suspense while unrest grew in Outer Mongolia. Provoked by San Tao's stupidity, by the rising revolution against the Manchus, and undoubtedly relying on eventual Russian support, as Russia had so frequently of late years announced her "special interest" in Mongolia, the Khalkas, on the fall of the Manchu Dynasty, expelled the Amban, and on December 29th, 1911, declared the severance of all political ties with China, and chose as their ruler the present profligate Jébtsun-damba Hutuketu, the eighth successor of him who had brought about the subjection of the Khalkas to the Manchu rule.

There can be little doubt but that the Russians must have viewed with real satisfaction the secession of Outer Mongolia, for it supplied them the means of preventing further Chinese pressure on their borders and of permanently securing the trade privileges they claimed under the treaty of 1881 while running little danger of embroiling themselves seriously with China, with whom they desired to remain, if possible, on the best of terms.

It cannot be denied that the Mongols had good grounds for wishing to put an end to their political relations with China. Their oppression by the officials sent among them was notorious, and it has been acknowledged by the present government of China. The charge of official malefeasance could not be more strongly put than by Yüan Shih-k'ai in his Proclamation to the Mongols and Tibetans of March 26th, 1912. "In recent years" he says "the high officials sent to these border lands have been worthless, all have been most over-bearing, there has not been a single one who has endeavored to put an end to the deception and cruel oppression practiced on these peoples. So hostility to China has been aroused everywhere and

discontent has grown general. A source of deep sorrow indeed!"

There appears good reason for believing that when the idea of secession was made known to the Russian Government by the unofficial mission which came to St. Petersburg in the summer of 1911, very little encouragement was actually given it at the Foreign Office and, though the then Russian Minister at Peking, Mr. Korostowetz, professed the most friendly feelings for the Mongols whom he thought should be helped, and so advised his government, the Foreign Minister only tendered the mission his unofficial good offices with China. But immediately after the Mongol Declaration of Independence, the Russian Government announced that the Mongols held (1) that the establishment of Chinese administration in Mongolia, (2) the presence of Chinese troops, and (3) the colonization of Mongol territory, were incompatible with their rights, and that in view of Russia's large interests in Mongolia she could not ignore the *de facto* government, and that they would enter into business relations with them. Furthermore the Russian Government advised Peking that, subject to a recognition of these fundamental rights by China, Russia was willing to act as mediator between it and Mongolia to bring about an agreement between them. No reply having been received from China, Russia decided, some months later, upon independent action.

In the early part of 1912, the Mongols, replying to Yüan Shih-k'ai's Proclamation of March 26th, refused to participate in the establishment of a republican form of government in China; the Russian Government then concluded that the time had come when it could not only secure from the new state the commercial privileges in Mongolia which it had been seeking from China, but also, while maintaining its friendly position toward that country, raise up in Outer Mongolia the barrier against the yellow peril which it looked upon as of such vital importance to the security of its southern frontier. So a convention with the Khalkas embodying these essential principles of Russian policy was determined upon, and in the late autumn of 1911 Mr. Korostowetz was appointed Diplomatic Agent to Outer Mongolia and arrived at Urga to put through the negotiations. He met with considerable difficulty, and had to use pressure and make various promises to attain his end, for the Mongol princes were divided in opinion; Russia wished to confine the new state to Outer Mongolia, whereas many of them wished the new Mongolia defined on purely racial lines. Again, Russia limited her friendly offices to assisting the Mongols to maintain, not an independent state, but simply an autonomous régime. The principal opponent to the treaty was the very intelligent and influential Ta Lama, Tsérin-djigmed, Minister of the Interior, who was inclined to seek an arrangement with China, as more likely to prove ultimately beneficial to the Khalkas, but the convention, notwithstanding his opposition, was promptly pushed through, and signed on November 3rd, 1912, coming into force on the same day. The Urga Convention, with its annexed Protocol, is short and to the point; in consideration of Russia "lending her assistance to Mongolia in preserving the autonomous régime it has established as well as the right to have her national army and to admit neither the presence of Chinese troops on her territory nor the colonization of her land by Chinese," the Mongols concede to the Russians the most complete freedom of trade (but no rights of monopoly) "in every kind of product of the soil and industry of Russia, Mongolia and China." They further promise them the most favored nation treatment, and give them the right to control any treaty arrangements they may wish to enter into later "with the Chinese or another foreign power" and which may infringe or modify this convention.

The Urga Convention was received in China with howls of disapproval from the noisy "extremist" politicians then forming the majority of the Parliament in Peking, who clamored for war with Mongolia and if need be with Russia, as the only proper reply. Russia persisted in asking China to recognize autonomous Mongolia, using the identical terms first stated by her a year previously, though, considering the provision of the Urga Convention which gives Russia the right of control over Outer Mongolia's treaty relations, the offer of a recognition of the suzerainty of China over it appears utterly meaningless. It was only on November 3rd, 1913, that after protracted discussion and some indirect pressure on the part of the Russian Minister, Mr. Krupensky, that he signed with the Chinese Minister for Foreign Affairs, a Declaration, by which Russia recognized Chinese suzerainty over Outer Mongolia, while China recognized its autonomy, its exclusive right to settle all questions of a commercial and industrial nature concerning it; Russia pledging herself likewise to send no troops to Mongolia beyond consular guards, nor to intervene in the administration of the country and not to colonize it.

The right to send a Chinese "Dignitary" with an escort to reside at Urga "in case of need," and agents to certain localities in Mongolia for the protection of Chinese interests and subjects was also recognized. Finally, China accepted Russian mediation to establish relations with Outer Mongolia in conformity with the provisions of the Urga Convention. Notes exchanged on the same day by the signatories of the Declaration stated that as to questions of a political and territorial nature affecting Outer Mongolia, the signatory powers would enter into negotiations, in which the authorities of Outer Mongolia would take part, and it was further stated that autonomous Outer Mongolia included the territories previously under the Ambans at Urga and Kobdo, and the Tartar general at Uliassutai, the limits of these territories to be settled in the negotiations *à trois* previously agreed to. And so once again China bowed to the inevitable.

The majority of the princes and others chiefs of the Khalkas being strong "nationalists," in favor of the complete independence of their country, it was but natural that the Peking Declaration should be viewed at Urga with open displeasure. When I was there in December of last year some of the Mongol Ministers frankly de-

clared that, negotiated as it had been over their heads, they absolutely repudiated it. If a remnant of Chinese authority remained they thought it was but a question of time before they would be again under actual Chinese control. For them there were but two alternatives, absolute independence, or annexation to Russia—the latter solution, they said, they liked as little as Chinese suzerainty. To this the Russians replied that the Mongols would take a share on a footing of perfect equality in the negotiations soon to be held at Kiakhta, as provided for by the Declaration, and also in all future ones, but the Khalkas know they are helpless and that, for the time being at least, their fate is sealed, for while Russia, for the attainment of her own ends, is desirous to keep back the Chinese from Outer Mongolia, she is not desirous to assume the unknown responsibilities which an independent Mongolia would certainly impose upon her.

The responsibilities which Russia has already incurred in Outer Mongolia are great, and the difficulty and importance of permanently establishing her political and commercial supremacy in the country are daily becoming more fully recognized by her.

The Khalkas, it must be borne in mind, are a purely pastoral people, some 700,000 in number,* occupying a very extensive territory only suitable for agricultural pursuits in some of the valley bottoms. Outside of a slight knowledge of reading and writing (the reading being nearly entirely confined to religious works) they possess absolutely no education, nor has their form of civilization advanced at all since the middle of the 13th century when they first became known to us, except by the introduction, among the well-to-do people, of a few domestic articles used and manufactured exclusively by the Chinese, and by the present rather general use of stuffs, silk, cotton, and woolen, of Chinese, foreign and Tibetan origin, instead of the furs and skins of which they used formerly to make their clothing. The Southern Mongols, it should be noted, on account of their proximity to and constant intercourse with the Chinese, are much more advanced and self-reliant; education of a sort has made some slight progress among them and they are given, to a certain extent, to the tilling of their lands.

Exclusive of tending their flocks of sheep, their ponies, camels, and cattle, the Khalkas know no trade, nor do they care for anything else; easy-going and lazy they are the most gullible of men. They cannot manufacture a single object used in their simple way of living save an inferior quality of felt and tent frames. Everything else is bought in China or brought to them by the Chinese, even their saddles, bridles, boots, teapots, wooden cups, and numerous other articles come from there. Were it not for the Chinese farmers (mostly from Shantung) who have irrigated in many places the fertile lands of the larger valleys and raise wheat and millet for them, they would be reduced to an exclusive diet of meat, butter, milk and cheese.

There are said to be about 20,000 Chinese in Outer Mongolia, 5,000 of whom are at Urga and 2,000 to 3,000 at the Mongolia gold mines in summer, going in winter to the Chinese mines of Mai-mai-chen at Kiakhta.

With the loose political bonds which hold the tribes together the taxes are paid by the people to their princes, who, while not paying taxes themselves, must hand over a portion of their incomes to the Hutuketu and to the innumerable rapacious lamas who swarm in every corner of the land, and another still until recently to the Ambans, and to the Chinese, with whom they have business relations; for Mongol princes have always been the principal traders of their tribes. All this has effectually prevented the creation of any central government, if the desire to establish one ever existed, or of a national treasury. Furthermore, the incidence of taxation is everywhere most irregular, and the levying of the taxes always attended with great difficulty. To add to the burden of the Khalka taxpayers a considerable portion of the population (some persons at Urga told me it might amount to 50,000) are serfs of the Hutuketu, *shabin,* and as such neither pay taxes nor own property of their own, but labor solely tending to numerous flocks and herds of that dignitary. Even the royalties paid by the Russian Mongols is an illustration of the state of blissful ignorance of the value of money in which they live. They time of the Declaration of Outer Mongolia's independence, a single revenue on which it could count.

The financial question was consequently the first which faced the Russians when they lent their aid to the Mongols to support their new government. The simple process had recourse to was making a gift to the Hutuketu's government of two million roubles. The way part of this sum, at least, was promptly expended by the Mongols is an illustration of the state of blissful ignorance of the value of money in which they live. They erected an imposing temple, in which they put a colossal image of the Buddha Maitri of gilt copper, and ordered ten thousand small images to place on the walls of the temple around it; nine thousand being ordered in Russia at a cost of Rbls. 144,000, and one thousand in China at a cost of Rbls. 36,000. They have also had made in St. Petersburg, at great expense, insignia for an order, the Order of the *Vadjir,* which has been freely distributed to Russian officials, and in the creation of which foreign suggestion must have played a large part, as decorations were previously unknown among them.

Their first success at raising money encouraged the Mongols to believe that they could get more from the same source, especially as the missions they sent to St. Petersburg to thank the Emperor and his government for their bounty were received with honor and loaded down with decorations and presents. So they asked for a loan of 3,000,000 of roubles, and, pending its being granted, they have tried to make shift with small sums of ten or twenty thousand roubles borrowed wherever they could, usually from the Russian government. Prior to the

*The population of Outer Mongolia seems to have decreased considerably. In the middle of the 17th century it was estimated at 600,000 families, or about 3,000,000. du Halde, *Déscription di l'Empire di le Chine,* IV 26.

declaration of independence they had got at odd times considerable sums from the agent of the Chinese bank (Ta Ch'ing Bank) at Urga. When the last Emperor abdicated the Mongol Minister for Foreign Affairs settled this indebtedness by declaring that, as there was no longer any Ta Ch'ing dynasty the Ta Ch'ing bank had also ceased to exist, and consequently there was no creditor to whom the money was due.

The Russian Government in their first zeal to lend their support to the nascent state suggested that it would be advisable, for the purpose of establishing credit and developing trade, to open a Russian bank at Urga, where the Russo-Asiatic bank had some time before closed its doors. The Khalkas began at once to clamor for the bank, such an institution being, according to their views, one which supplied unlimited amounts of ready cash to all comers. They are still clamoring for the bank, but Russian banks seem disinclined to try the venture, though it seems probable that one will be ultimately established there, but the infantile incompetence of the Khalkas in all money matters becoming more and more apparent to all observers, the bank has still to be opened, and the loan is not yet granted. It is generally agreed among well-informed Russians that no large credit or revenue should be made over to the Hutuketu's government unless there is effective supervision as to its expenditure, and this the Russian Government have pledged themselves not to do by Article III of the Peking Declaration of November 5th, 1913.

If the Russian Government is not disposed to bear permanently nearly the total burden of administering Outer Mongolia, sources of revenue must be found in the country; but here again difficulties are numerous. We have referred previously to the disposition made of the direct taxes levied on the people. However small they may be, it seems highly improbable that they can be increased, as the majority are very poor. A source of considerable revenue should be an import tax, but this, it would seem, is dried up completely at its source, for Russia has free trade in Outer Mongolia "for the products of Russia, Mongolia and China," and the last named country cannot be expected to accept less favorable treatment; consequently should a customs duty be imposed on her export trade with Outer Mongolia it seems infinitely probable that she will adopt retaliatory measures. The trade of other foreign nations—unless they can secure directly from Outer Mongolia the same trade privileges as the Russians enjoy—will be carried on under the Russian flag, the net result is no revenue whatever from any foreign trade.

Suggestions have been made to the Khalkas for raising revenue by taxing liquor and tobacco; levying a poll-tax on the Chinese; even the issuing at short intervals of new and attractive postage stamps has not been omitted from these suggestions, but they do not commend themselves to the Mongols, and would probably produce next to nothing. As to oppressing the Chinese, were they driven out of the country the Khalkas would half starve and have to go unclad.

The royalty paid by the Russian Mongolor mining company has become of late a state revenue, and I think probably the principal one, but, though it is 16½% of the gold extracted, it does not amount to very much; what with the primitive methods of operation and stealing by the miners, the production of these placer mines has fallen off considerably. In 1912 it was *72 poods* or 2,592 English pounds, while last year it fell to 46 poods or 1,650 pounds. A foreigner offered them last year a million roubles a year for the exclusive right to import and sell opium in Outer Mongolia during five years; though they rather liked the idea the Russians have so far been able to dissuade them from taking such a fatal step.

The flocks and herds of the Khalkas might be increased in numbers and value, and by that means their taxable property would appreciate considerably. But to attain that end time, the stamping out of the rinderpest, and the introduction of a finer breed of cattle (of which there seems to be none nearer than Europe) are all needed, and, last but not least, the education of this rather dull people to an appreciation of the value of the measures being taken would have to be brought about, an Herculean task again, but seemingly the only one which may help to develop to any extent Outer Mongolia, whose economic value, I venture to believe, will never greatly rise beyond what it is at present, as long as the Mongols are in possession at all events.

It proved an impossible task to obtain accurate, not to mention full, data as to the value of Outer Mongolia's trade with China and Russia. The trade of Urga, and most if not all of the Uliassutai regions centres in Kiakhta. From the *Returns of Trade* for the year 1911, published by a committee of the Merchants' Guild of Kiakhta (this is the latest I have been able to secure, but it is not likely that 1912 and 1913 returns would disclose any very great difference in excess), I find that the total value of Mongol products imported into Russia during that year through Kiakhta was five millions of roubles, or 2½ million dollars, while the value of the goods exported to Mongolia from the same place during that period was Rbls. 1,230,000 or about 615,000 dollars. The balance in favor of Mongolia, about 1,885,000 dollars, less the value of Russian imports into Mongolia (Rbls. 800,000) represents approximately the value of the import trade of Outer Mongolia during the same period from China, exclusive of course also of that of the trade of Kobdo, which goes to Biisk, and which is certainly not over a third as valuable, say roughly two millions of roubles. That Russia can deflect the bulk of this import trade of Chinese products into Outer Mongolia to her home markets, as some Russian commercial bodies seem to believe feasible, seems under present conditions highly improbable. The trade between Russia and Outer Mongolia is now, as it has been for long years past, a practical monopoly of a few large Russian firms in Kiakhta, all of which have branch houses in China besides agencies at Urga and Uliassutai. Unmoved by patriotic considerations they seek to put on the Mongol markets the goods most in favor there, and as these

happen to be Chinese products they import them from China *via* Kalgan but under the Russian flag, and act simply as consignees or brokers for Chinese houses, thereby reaping a good profit at a minimum outlay of money.

At the present time one of these Kiakhta firms controls absolutely navigation of the Selenga River by which the great bulk of the trade of Mongolia *via* Kiakhta must pass to reach the railroad at Verhnie-Udinsk. Whenever a railway is built to Kiakhta this monopoly will be partly broken down and Russian products will be more readily offered to the Khalkas, but even at equal prices it is unlikely that they would easily displace the better known and long-used Chinese articles. The importance of at least controlling the tea trade with Outer Mongolia, where tea is not only an indispensable article in the simple diet of the people, but an actual currency, is well known to the Russians, and so they have endeavored to divert it, at least, from the direct land routes *via* Kalgan and Kuei-hua-ch'eng to the indirect route *via* the Yangtze River to Vladivostock, Verhnie-Udinsk, and Kiakhta. This they appear to have done to a certain extent, but at very considerable cost to the Russian Government, which has been obliged to reduce the cost of transportation of tea over the Chinese Eastern railway to a nominal sum. How long the government will be willing to grant such rebates when normal conditions have been re-established in Mongolia, and caravan trade is once more active, remains to be seen, but this experiment shows how put to it the Russian Government find themselves to divert Outer Mongolian trade from its natural channels. No fuller exposé of the difficulties which confront Russian economic development in Outer Mongolia, or of the measures the government have in contemplation for improving it, can be found than in the discussion which took place in the Budgetary Commission of the National Duma on November 28th, 1913. The Minister of Commerce then stated that, notwithstanding the efforts heretofore made, Russian trade with Mongolia was still falling off. The organization and development of this trade was, however, a matter for private enterprise, the Government could only insure favorable conditions. The small sale of Russian goods in Mongolia was due to the very small purchasing capacity of the Mongols, and to the absence of organized credit. The institution of a bank in Mongolia would encourage trade and the Ministry of Finance was ready to offer its assistance to this end. The cost of railway transportation of goods for the Mongol market had been reduced and regulations have been made for the granting of customs drawback certificates and establishing a free list. Furthermore a commercial agency had been established at Urga, but as it has proved itself of limited usefulness, its duties and means of action would be extended. (See *Novoe Vremya*, 15/28, November, 1913.)

The various points mentioned by the Minister of Commerce in this discussion have been referred to in previous passages of this paper, and what appear to be the real reasons for the unsatisfactory condition of Russian trade in Outer Mongolia have been given, the firmly established preference for Chinese products, and the impossibility for Russian trade (exclusive of that of Kiakhta) to compete on the local markets unless assisted by preferential freight and customs rates are the principal obstacles.

The general conclusion I have reached is that nothing short of the expulsion of most of the present Russian firms and small traders now engaged in the Outer Mongolian trade* and the substitution of Moscow firms, the exclusion of all possible foreign competition, together with the maintenance of preferential treatment for home trade and the forcing of all Chinese imports to come by the Vladivostok-Verhnie-Udinsk-Kiakhta route, can secure to Russia the economic control of Outer Mongolia. With the right for this country to concede equally favorable trade conditions to other nationalities and the practical impossibiliy of excluding Chinese goods over the direct route the task seems quite an impossible one.

Certain measures have quite recently been suggested in Russia by persons and organizations taking interest in the question of Outer Mongolian trade, for the betterment of economic conditions there. One urges the improvement of the roads and water-ways, another, the Irkutsk Chamber of Commerce, advises the free entry into Russia of Mongolian products, the organization of a veterinary service in Mongolia to combat the rinderpest, and the establishment of Russian telegraph stations and post offices. None of these measures, except the organization of a larger veterinary service (one already exists) would appear likely to serve, or in any way benefit the Mongols, or extend Russian economic control over the country.

The best Russian work on Russo-Mongol trade is, according to all Russians, official as well as men of business in Siberia and Mongolia when questioned on the subject, that published in 1910 by Bogoleipov and Sobolew entitled "*Otcerki Russko-Mongoliskoi torgovli*," or "Outlines of Russo-Mongol trade." The conclusion reached by these writers after careful study in Mongolia and Siberia of this matter is given in Chapter X of their work (pp. 474-490). They accept the fact of the steady falling off of Russian import trade into Mongolia and of the futility of hoping to drive out Chinese competition, even if all the measures advocated by the Russian Government, commercial organizations, and individuals are carried through. They condemn the substitution of constant governmental assistance in fostering and developing this trade, while attempting at the same time to maintain the general high cost of production of Russian goods. Individual initiative and enterprise, with which the Chinese engaged in Mongol trade are well supplied, is, in their opinion, the only hope for bettering the situation.

*There are said to be in Urga a thousand Russian subjects—exclusive, of course, of civil officials and agency escorts—a considerable portion of whom are, I take it, Buriat Mongols. At the Mongolor gold mines there are said to be in the working season from two to three thousands Russians.

"The extension of Russo-Mongol trade shows, how necessary it is for the individual as well as the nation to seek their power and strength within themselves. Russia turned to the East in the hope that her higher civilization would open a market to her industry. She could not possibly expect to find a market for that industry in the West; but in the East Russian goods appeared in the same manner as Russian industry exists within Russia, to wit, under strong escort. Within Russia industry is escorted by customs duty, by preferential tariffs, by loans and supports. In the Far East the Russian merchant was always preceded by the soldier's bayonet, by concessions, privileges, special treaties and large expenditure of Government gold. Only in Mongolia has Russia appeared first on an outside market without this escort. Here she was for the first time seen advancing in a purely commercial way. Russia's right of duty free trade in Mongolia was counterbalanced by the competition of lower priced English and American goods, and by the fact that the trade has, up till now, to count with considerable difficulties of conveyance and the primitive conditions of Mongol life. The result of this trial of open competition in a foreign market has, we much regret to say, given proof that we are not yet strong enough to maintain a purely economical position."

The remedies advocated by the writers are (1) the creation of a buffer state in Northern Mongolia, (2) the stopping of Chinese colonization, "a danger not only to the Mongols but to the white races," and (3) the organization of Russian trade, the principal factor of which should be the cheapening of Russian goods on the Mongol market so that they can compete with those sold by the Chinese. In urging these measures the writers seem to have lost sight of their previous contention that governmental assistance could never take the place of individual initiative, but they foreshadow correctly the policy which has since then been followed by the Russian Government.

The only way out of the difficulty of maintaining an autonomous Outer Mongolia, subject to the conditions laid down in the Urga Convention and the Peking Declaration, would seem to lie in the direction of establishing a complete and hearty co-operation to that end between Russia and China for its administrative and economic development. This should include a willingness on the part of these two countries to allow the establishment of a low tariff of duties say 5% or even 3%, on all imports into the country, the Customs Service to be, if possible, under joint foreign management. This would give a certain small revenue to the Government at Urga, which, added to the sums it will probably continue to receive from gold mining, timber felling rights, and various other concessions, and the ordinary taxes in force in the country should, with economy and honesty, (two very difficult things to obtain, however,) prove sufficient for their simple administrative needs, including even the maintenance of the small native cossack brigade now being organized under Russian officers, if it is not increased beyond its present force of 1,500 men. If some such arrangement is not arrived at, the alternative seems to be the financing of Outer Mongolia by Russia.

So far the assistance the Russian Government has given the Khalkas has been mainly, if not exclusively, confined to Urga. The first step was the organization of a small force to police the country. The Urga Government showed themselves disinclined to see it undertaken, and opposed apathy and childish objections, and it was not without some difficulty and the promise of ample assistance to carry out the scheme that it was finally agreed to. In May or June, 1913 a small Russian military mission arrived, and having established a permanent camp at a place called Hujir-burun, about five miles east of Urga, began the recruiting and instruction of a small force of cavalry, the equipment, arms, ammunition and six light mountain guns being also presented by the Russian Government.

They have also opened a small hospital, equipped the "Russo-Mongol printing office" where a bi-monthly paper, the first of its kind, called the *"Shiné toli Khéméhu bitchik"*, or *"New Mirror"*, is printed in Mongol, but it finds very few readers. A contract has been made with an enterprising Russian to open a service of motor busses between Urga and Kiakhta, he assuming the charge of repairing (practically making), the 170 odd miles of bad road between these two places. It seems probable that some time will elapse before this service is opened. A small school has been established (it has not over ten pupils), in which to teach the Khalkas Russian. Furthermore, nine promising Khalka boys have been placed in schools in Irkutsk, and about the like number at Troitskosarsk, or Kiakhta.

The old Russian concession in the Mongol town of Urga being inadequate a much larger one of 270 *désiatines* has been granted the Russian Government between that town and Mai-mai-chen, and including in it the Diplomatic Agency and other official buildings. Here two or three Moscow merchants have been induced to buy lots of ground, around them high palisade fences have been put, but on them no building will probably ever be placed. A diminutive police force (six cossacks of the escort of the Agency) has lately been put on duty in the old Russian concession, and an enterprising Russian trader has started a cinematograph; such were the principal signs of Russian governmental and private activity at Urga when I was there last December. Among the Khalkas their new gained liberty has not caused an awakening of any dormant energy. The Hutuketu's government have confined their activities to starting a little school in which to teach Russian, and the Ministry of War had "under consideration" the building of a prison to take the place of the horrible palisaded inclosure in which malefactors are now confined and, if reports are true, most cruelly treated. Public works of any kind (the filth in Urga is indescribable, the dead are frequently thrown by the way-side to be devoured by the herds of dogs which swarm over the whole place), will have to wait for money to come into the coffers of the state, till then, at all events, nothing can or will be done—afterwards it will probably be as before.

A number of very serious questions confront the Khalkas, one of which, at all events, must promptly be solved. There are absolutely no fundamental laws for the organization or administration of the new confederacy. The question of the succession to the rulership has not been taken up even. Nothing has been done to strengthen the former loose organization of the country in which Chinese authority could always be appealed to, and was always forthcoming, to guide or control their views or actions.

Although, to use the language of the Urga Convention, it was "in accordance with the desire unanimously expressed by the Mongols to maintain the national and historic constitution of their country that the Jebtsum-damba Hutuketu was proclaimed Ruler of the Mongol people", nevertheless this choice does not appear to have coincided with the unanimous wish of the various princes and chiefs, many of whom hoped that a ruler of their own race and a member of their ancient nobility might found a dynasty to rule over them. Agitation in favor of this nationalist solution of the dynastic question became strong during the last year and the Sain-noyin Khan, the actual President of the Council of Ministers, was considered the strongest, noblest, and most popular ruler the country could have to establish the new Mongol Empire.

On the other hand the Hutuketu, or, as he is now styled, the Bogdo Khan or "Holy Prince", though a lama, is married, has sons, (his brother, the Ta Lama is also blessed with children), and hopes to establish his dynasty. While the Russian Government lends him their support for the time being, it can hardly be doubted that they would see with no particular concern the substitution of a manly, intelligent, though inexperienced Mongol prince in the place of the notoriously debauched Tibetan lama. Besides his personal unfitness there is another reason for apprehension if the Hutuketu is maintained in power which is his well-known ambition (the first Hutuketu, as we have noted previously, had the same ambition), to create an independent lamaist church in Mongolia. Any attempt to carry it out would most likely create serious internal dissensions, for the authority of the supreme head of the Yellow Church, the Talai Lama of Tibet, is everywhere recognized in Mongolia, and it could not be easily put aside, although the severance of Outer Mongolia's relations with China may enable the Hutuketu to fill all ecclesiastical offices with his creatures, such offices being no longer, as heretofore, under the control of the Government at Peking.

There are other questions, both of a political and economic nature, which must cause the well-wishers of the new state grave apprehension, but enough has been said, it is thought, to justify my belief in the wisdom of the present policy of a minimum of interference on the part of the Russian Government in the affairs of Outer Mongolia, so long as the cardinal principles of their defensive policy in the Far East are fully recognized by all interested powers. The strict enforcement of these principles may, some day, carry Russia much further than she desires, but until there is another general reverse of her policy in Far Eastern Asia, this seems unlikely; things in Outer Mongolia will go on much as before.

As I finish writing I have received a copy of the very recently published work of M. Douglas Carruthers, entitled, "Unknown Mongolia." In a most instructive chapter dealing with Mongolia, past and present, the writer, speaking of the secession and the establishment of the autonomous government, says, (I. 315-317) that "Taking for granted an autonomous Mongolia under the protection of Russia, we can prophecy far-reaching and fundamental changes in the lives of the people and in the future of the Mongol race. Mongolia will become—indeed, probably has already become—a land of activity and progress, instead of, as formerly, a land of stagnation and suppression. Russian merchants will flock into the country, railways will be constructed, vacant lands will be used for agricultural purposes, and waste land reclaimed. There will be facilities for trade, which will prove advantageous to the Mongols as well as the Russians. * * Foreigners will work gold reefs, with the result that Chinese suzerainty and the church will lose no small amount of prestige. With this new movement and activity the old lethargy will no doubt decrease, and, we hope, eventually disappear." This prophecy may some day in the far future be partly realized, but I can see no sign of such a consummation, and I must rather agree with Mr. Carruthers' other statement in the Introduction (p. 9) to his work, viz.: "Who would dare to prophecy the future of the marches of Siberia and China?"

THE URGA HUTUKTU.

The reported illness of the Hutuktu may mean nothing at all or it may mean a great deal. The Mongolian Pontiff may really have been unequal to the strain of New Year ceremonies, or some quite trivial reason may account for their abandonment. Sudden illnesses, however, frequently followed by death, are by no means uncommon in Urga. The climate of North Mongolia is indeed exceptionally healthy and the Mongolians are an exceptionally hardy race. Yet, since the country's declaration of independence, more than one prominent Mongolian—Binto Wang, for example, a Prince who was pro-Chinese,—has suddenly sickened and died. We are bound, therefore, to give due weight to the telegram published in yesterday's issue to the effect that the Hutuktu is seriously indisposed. He is the centre of Mongolian politics, just as his "palace"—that odd architectural mixture, a European house with green window frames and a green turret adjoining yellow-tiled Chinese pavilions and a semi-Tibetan tower grouped together behind a wooden paling painted red—stands midway in the Urga plain. The Mongolians reverence him in a high implicit way which, when the traveller sees hundreds prostrating themselves at his feet and praying to him in an ecstasy of worship, makes other religious ceremonies seem cold and faithless. The Russians pay court to him because through

his goodwill they were able to conclude the famous Convention of November 3, 1912. His death, therefore, would be an event of first-rate importance. It would certainly effect, it might possibly alter, the balance of power in Urga. Up to the present the pro-Russian party has been in the ascendant, but certain Mongolian Princes are by no means satisfied with the position of their country.

In this connection a recent telegram, all the more noticeable in that it emanated from Russian sources, is of special interest. The message, published in our issue of February 9 stated two things: first, that the Mongolian authorities have forbidden the Chinese to sell land to Russians; secondly, that owing to the reopening of the trans-Gobi trade route from Kalgan to Urga the prices of goods in Urga had dropped and that Russian trade was in consequence decreasing. Last summer, the Chinese in Urga were in despair. Trade via the Gobi had come practically to a standstill and Mai-mai-ch'eng, which stands at the Eastern end of Urga valley, surrounded by a stockade about fifteen feet high, was as "dead" as any market could be. The head men of its Guild, the Shih Erh Chai, held doleful committee meetings in their pretty little temple and decided that it was time to sell up everything and go back to Shensi and Shansi. Russian trade, on the other hand, was booming. Russian stores in West Urga were making handsome profits. Moreover, the Russian Consul was said to be on the eve of a fresh agreement whereby most of the land between West Urga and Mai-mai-ch'eng, a distance, roughly, of three miles, would be converted into a Russian concession carrying with it important exclusive rights. On the surface, therefore, everything appeared to confirm the theory that Mongols and Russians were in complete accord. On public occasions such as the archery contests and the Festival of Tsam, those gorgeous displays of colour in which the eye travels over rows of tulip red and russet brown, rests on pale violet, purple and smoky gray, leaps from daffodil yellow and flaming orange to scarlet and brilliant blue, Mongols and Russians fraternized in boyish, intimate ways. At the races, held in a beautiful green valley a little east of Urga, with girls and boys for jockeys—whom Lamas in yellow robes lead to the Hutuktu's altar, anointing the heads of their ponies with milk poured from copper bowls —Russian and Mongol officers rode chatting side by side.

It is well known, however, that behind this appearance of amity and complete understanding has been concealed a good deal of disillusionment, which, if the St Petersburg Telegraphic Agency is correctly informed, would seem now to be showing itself. If the Mongolian Government has really forbidden the Chinese to sell their land to Russians, there is only one deduction, namely, that the pro-Russian party in Urga is either weakening or cooling. Such a prohibition can only mean that the Mongolian Government is waking up to the fact that the Chinese are necessary to the country—a fact on which the "North-China Daily News" has frequently laid stress—and to the fact that the Convention signed in 1912 has placed more power in Russian hands than its signatories quite realized. It is this which makes the report that the Hutuktu is seriously ill important. One of the paradoxes of Mongolian life is that while the Mongols have the highest respect for "Bogdo" as their religious head, they have nothing like the same respect for him either as a man or as a ruler. They have a laughing toleration for his foibles, but they criticize his politics. Were he to die, men of the stamp of Ta Lama—next to him the most important ecclesiastic in Urga—might go some way towards reversing his policy. There can be no question that the Outer Mongols do not desire a reinstatement of Chinese rule. It is equally certain, however, that they do not desire to place their country under the rule of anybody else.

—*North China Daily News.*

AN INTERVIEW WITH MR. ROCKHILL.

(*From the Peking Daily News*).

Mr. William Woodville Rockhill, lately the Ambassador of the United States to Turkey, is now visiting Peking. He arrived here just about a week ago. On his way to China, he stopped in Urga for one week for the purpose of sight-seeing and studying local conditions. According to the report of some of our vernacular contemporaries, his visit to the Capital has political significance, but Mr. Rockhill disowned it and stated that he comes here to study Chinese conditions on the spot, in order to be able to form an independent opinion of what is really going on in the newly-established Republic, in which he takes a great deal of interest on account of the fact that he had been a long resident in the Far East, and that he had visited the country for six times.

Mr. Rockhill was told that the Chinese newspapers have persistently reported that the Government is going to engage him as political adviser, and that his opinion on the adoption of the Presidential system will be final. He says that there is no truth in the report. "You already have had too many advisers, and there is no need for any more," he laughed. "Advisers cannot aid you in the solution of your fundamental problems which must be solved by yourselves."

He says that he comes to China to renew friendship with many of his old friends whom he has not had the opportunity of seeing for some time, and to study the present conditions so that he may know what progress the country has made during his absence. He remarks that he has stayed in this country for a number of years, and that naturally he takes much interest in the changing China. His trip has nothing to do with politics, Mr. Rockhill assured the representative of the *Peking Daily News.* He intends to spend some time in the capital, and most likely he will visit several provinces before returning to the United States.

Asked what he thinks of the adoption of the Presidential system for China, Mr. Rockhill says that this question is for the Chinese themselves to decide. They know their customs, their traditions and their genius, but foreigners who know nothing of them are unable to help China in deciding such a momentous question. Probably foreign advisers may be able to give advice on technical subjects and on how to carry out the system, but the system must be chosen by the Chinese people. He says that he has no opinion to give beyond the expression that the Chinese should reform and administer affairs of the country in the method and along the line peculiar to themselves. As to what method and along what line it is up to the people to decide. China has a history of four thousand years standing, and the people have historical precedents in abundance, from which they can generally get some ideas with regard to the system of the Government for the nation. For instance, if China wants to reform her currency system, she just refers to the Chinese history of currency, which records the failure and success of attempts on the currency reform. The history shows how one kind of currency system proved workable in the Sung Dynasty, and how the other kind failed in the Ming Dynasty. "Therefore, I say that your future must be based upon the past. From the past you may get some elements with which to build up the nation," said Mr. Rockhill. "It is necessary that you should retain part of your old institutions in the introduction of new elements. Of course, now you have to reckon with the complexity of modern political machinery caused by foreign intercourse, but at any rate you can find out from your traditions, your customs and your genius as recorded in the history, what system of government will suit your people." Mr. Rockhill emphasises the fact that it is for the Chinese themselves to work out their own salvation, slowly, quietly and deliberately. He says that he has no doubt that the Chinese will do so,

because they are self-denying, devoted to their work and peace-loving. He expresses great admiration for them, but he believes that China's problems must be solved slowly and cautiously. When Mr. Rockhill was in Turkey representing the United States, he found that the Young Turks tried to reform their country all of a sudden, and threw off their old traditions and institutions, but they have failed. From this, China can learn a lesson. According to Mr. Rockhill, it is necessary for the Chinese people to take the past as a guide and retain portion of the old traditions to build up the future.

Asked what he thinks of the Mongolian situation, he declines to make any comment, but he says that everything in Urga is quiet. About three thousand Chinese are trading in the city and carrying on their daily routine peacefully. There is no excitement. Mr. Rockhill saw an agent of the Bank of China, who has been in Urga for quite a number of years, and who told him that trade prospered, order prevailed and the people were satisfied with their peaceful condition. He says that this was the first time that he visited Northern Mongolia, although in the prime of his manhood, he travelled a great deal in Tibet, Southern, Eastern and Western Mongolia.

"I have known your President for twenty-seven years," says Mr. Rockhill in reply to a question concerning his opinion of President Yuan's statesmanship. "I have a great respect for his administrative ability, for his statesmanship and his patriotism." When Mr. Rockhill was Charge d'Affaires of the American Legation in Seoul, Corea, President Yuan was the Chinese Resident-General there. In Corea they met each other. Mr. Rockhill says that he also met Mr. Tang Shao-yi and Liang Meng-ting, former Premier and former Minister of Foreign Affairs, respectively. But, since 1900, he has seen a great deal of President Yuan. He evidently takes much interest in the Mandates issued from day to day, which he regards as educational and instructive. He remarks that the Chinese people desires peace. This, the President, with sagacity, is giving and will give to them. Some parts of this country are thinly populated while others are too thickly populated. The economic struggle in China is hard. Mr. Rockhill concludes by saying that it is only with peace prevalent that the people will be able to resist the economic impact and maintain their positions.

PRESIDENT YUAN'S TELEGRAM ON THE FINANCIAL SITUATION.

(From the Peking Daily News.)

The President has sent out a circular telegram to all the Civil Governors, Tutuhs and other important provincial officials setting forth the present financial stress of the country and asking them to support the Central Government.

The following is a brief translation of the telegram:

The foundation of the Republic is just laid down. Upon finance depends the existence of nation. In the last Autumn prior to the recent rebellion, there was no efficient administration and therefore there was no money, but after the Autumn, the disturbance cost the Government an inestimable amount of money, and therefore it was impossible to have an efficient administration. At present, inasmuch as we want to carry out many reforms, it is necessary to borrow foreign money. But there is no country in the world which can depend for existence upon loans.

During the Ching Dynasty, the budgets of the various provinces already show deficits and the total amount of the foreign loans was more than £150,000,000. With the establishment of the Republic, foreign liabilities were greatly increased by the amount of about £30,000,000. If the liabilities were not repaid, the control of the finance would be seized by foreigners. Everything of the nation depends upon sound finance. The ruination of Egypt and Korea should warn us. In a Republic every citizen is responsible for the nation as every shareholder of an insurance company is responsible for the success of the company. In the case of an insurance company, it can afford to insure others only when it receives premium from the policy-holders. At the beginning of the consolidation of a new nation, heavy taxation is unwise. However, owing to the financial stress, it should be more advisable to endure a little pain in order to relieve the nation. Realizing what will befall us should this nation be Egyptianized, we every one of us should be apprehensive of such a time. According to my opinion, the first important step for the salvation of our nation is to reform the financial administration. We did not aim to levy heavy tax to fill up the treasury of the Government, but we aim at the relief of the nation. The budget of all the expenditures of the Government is being published for public so that there is now no need for fear about any dishonesty. The principal expenditure of the Government is for the maintenance of troops and police, the repayment of foreign liabilities, etc. Foreign liabilities should be paid as they are due in order to keep up our credit with foreigners, and the allowance for the Manchu Court and the livelihood for the banner people should be given in order to maintain the confidence of the Manchus in us.

The authorities of all the provinces are all closely connected with the Central Government. Should China be partitioned through foreign intervention, who can avoid sharing the calamity? It is therefore expected that they will explain to the people the difficulties of the Government so as to secure their confidence and co-operation. The various taxes as the stamp tax, title-deed tax, wine and tobacco taxes, etc., should be strictly collected. The tax levied upon the mass of the people is very little, but when the tax is collected together it will be of great help to the nation. In some provinces where the taxes are strictly collected, good results have already been seen, and it is expected that the authorities will continue to do their best for the relief of the nation. They should not work merely for their own reputation nor should they avoid difficulties. The military authorities should know that the people bear heavy burden and the Government makes payment under great difficulties to maintain the troops for the protection of the people and nation. In consideration thereof, they should try every possible effort to reduce the military expense. Should there be any troops which can be spared, let such troops be disbanded. They should never maintain great numbers of troops for their selfish purposes. No such thing as power and profit will exist if there is no nation, and should a nation be destroyed all power and profit would be in vain. Recently the foreign Powers pressed us hard for the repayment of our liabilities and this is injurious to our national dignity. Inside our nation, the payment of the allowance for the banner people is a matter of national credit. Within the country, the destitute people of the provinces are waiting for relief, the banner people and the Manchu Court are waiting for money. The Government really lacks money to meet these obligations. All the officials are ordered to restore the old taxes and to levy the new in order to support the Central Government. If the Central Government is strong, the condition of the provinces will correspondingly be bettered.

The conditions of the provinces are different from one another, and should there be any measure in certain provinces which the Ministry of Finance has not taken up and should such measures be not harmful to the interests of the people, the authorities may adopt them with the permission of the Government.

NEW CURRENCY SYSTEM FOR CHINA

(Consul General George E. Anderson, Hongkong.)

Hongkong bankers are not very optimistic of the success of the new currency system for China promulgated by the Government at Peking, February 10. They agree that the proposed system represents probably the most practicable plan for China at present, but they also agree that it is very doubtful if the Government has the power, financial and political, to give it effect.

The system proposed is the result of the work of a commission appointed by the Government to consider a revision of the currency system, and it has the approval of a commission of national finance appointed to devise ways and means to improve China's financial position generally. It is understood that the system embodies the views of several foreign experts on currency. In fact, it follows closely, except in the fineness of coins, the system more or less formally inaugurated by the Manchu government in May, 1910. This new system, however, is now actually in force in the country by presidential mandate. Whether this mandate can effect its favorable reception by the Chinese people and by foreign interests in China remains to be seen.

The new system contemplates the coinage of currency that will be substituted for the various and sundry coins and sycee which are now in use as currency and which also represent the basis of the various issues of paper currency by the several Chinese Provinces. Under the mandate only the Central Government at Peking can now mint coins, The new currency will be on the decimal system; the unit will be the yuan, or dollar, which is to be of 72 candaroons of 90 per cent silver and 10 per cent copper; the actual quantity of pure silver is fixed by the mandate at 23.97795048 grams. The four silver coins are the yuan, the half yuan, the 20-cent piece, and the 10-cent piece. There will be one nickel coin, the 5-cent piece, and five kinds of copper coins—the 2-cent, 1-cent, 5-li, 2-li, and 1-li pieces. The values are in decimal progression; one-tenth of a yuan is the chio, or 10-cent piece; one-hundredth of a yuan is the fen, or cent piece; one-thousandth of a yuan is a li. The half yuan will contain 70 per cent of pure silver and the other silver coins the same. The half yuan will contain 9.583777 grams of pure silver, the 20-cent piece 3.72990248 grams, and the 10-cent piece 1.86495124 grams.

By the terms of the mandate the yuan is legal tender to any amount and the 50-cent piece up to $20; the 20-cent and 10-cent pieces are legal tender up to $5, while nickel and copper coins involved in one transaction shall not exceed $1. It is provided, however, that "these restrictions shall not apply to the payment of taxes and to exchange in the national banks." Until the circulation of the old coins is prohibited by a "provisional order," Government offices will accept them in payment of taxes at a rate of exchange based on the average of the exchange rates for the previous month. No greater variation than three one-thousandths will be permitted between any coin and its theoretical standard. A date will be fixed when the existing coins will cease to be legal tender, and as the old coins are retired they will be reminted. Free coinage of silver bullion into yuan pieces will be carried on by the Government at a seigniorage charge of 6 li per yuan, or six-tenths of 1 per cent. The system has been adopted with a view to establishing a uniform system for the present and as a step toward the establishment of the gold standard when China is in position to undertake that action. At present all authorities agree that such standard is impossible.

The establishment of the new system will be undertaken gradually, and it is understood that coinage will be commenced in the immediate future. Experts have estimated that the currency demanded by the country should have a volume of at least $2 silver per capita, or a total of approximately $700,000,000. It is probable that there is plenty of silver in China at present in the form of sycee or currency, and the task of the Government is not so much to provide a great stock of silver as to withdraw and recoin the silver now in circulation or in hoards. However, negotiations for a loan for inaugurating the new system are now being carried on in Peking.

While the presidential mandate provides for the retirement of old silver and copper coins when received by the Government in payment of taxes or governmental charges, the actual withdrawal of old coins and sycee from circulation is much more of a task than might at first appear. Most of the coins now in circulation have been issued by provincial governments upon varying standards of fineness and weight. Large quantities of debased currency are in circulation, and it is this coin that circulates most freely and will find its way into the Government melting pot first. The loss to the Government from this source at first will be considerable.

The establishment of the new system in China has not the support of Chinese public opinion or influential foreign traders in the open ports in the same way or to the same extent that a similar proposal would have in other countries. The number of people obtaining their livelihood from monetary exchange in China, either directly or indirectly, is simply astounding. Native banks and bankers, exchange merchants, officials concerned in the collection of public funds (which usually are collected in terms of one standard and remitted in terms of another)—all these interests combine against any new system; moreover, the innate disposition of the Chinese people as a whole is to use money not as a means of fixing values for trading, but merely as an article to be bartered for other commodities.

It is the announced plan of the Government to give effect to the new system first in the open ports, where, it is

thought, its convenience will appeal to exporters and importers; later it is expected to reach the interior ports. In the open ports, however, most lines of trade are controlled by native guilds or tongs, and dealings between foreigners and Chinese are usually on the basis of or in direct relation to the financial and monetary systems obtaining in the interior, from which goods for export are drawn and to which imported goods are sent. Most import and export goods are bought and sold on commission, and it has long been a custom of Chinese middlemen to secure much of their profit by buying in one monetary medium and selling in another.

While a new system of coinage would doubtless solve many problems in China's trade, it must face the opposition of strongly entrenched interests and must overcome Chinese trade methods and habits of many years standing. This doubtless can be done when there is a strong central government able to enforce its decrees in every Province, but it is exceedingly doubtful if it can be done at present. Perhaps the most that can be expected is that by coining new currency and issuing it on the basis of its actual bullion value, and at the same time preventing any further coinage by the various Provinces, the central government may be able in time to supplant the present coins by new ones and, when the volume of new coins will justify the step, to force acceptance of them at the value established in the presidential mandate. In the most favorable view of the matter, it will be some years before this can be accomplished.

PROBLEM OF PROVINCIAL NOTES.

Little or nothing has been done toward the retirement or forcing to par of the provincial notes issued by the several Provinces during the revolutionary troubles, and the situation resulting from the circulation of these notes is now the most serious problem of Chinese trade. Notes of Provinces in the vicinity of Hongkong are circulating at about 70 per cent of their face value, as compared with the standard silver dollar, but as a matter of fact these notes never had a par value and at no time have any of them had more than a 50 per cent reserve of silver back of them. They really represent a loan to the governments concerned of about 50 per cent of their value, and under the circumstances it is remarkable that their value has held up so well. Until this currency is redeemed or brought to par, both import and export trade in China will be carried on only with extreme difficulty and danger.

The financial position of the Government at Peking is improving to the extent that the income from customary sources is gradually increasing. The Chinese Maritime customs reports collections during the year 1913 to have exceeded those of 1912 by about 4,000,000 taels, or about $2,900,000 gold. It is announced that the Government charges for 1913 secured upon the customs and salt revenues have been liquidated. According to conservative estimates, the revenue from the salt gabelle is estimated to amount to $35,000,000 silver during 1914, and with favorable conditions it may amount to $39,000,000. Nevertheless, instead of remitting money to the central Government for its support, as was the custom and arrangement under the Manchu régime, most of the Provinces are now calling upon the central Government for help. It is unlikely that any material improvement will be shown in Chinese finance until new and efficient means of increasing taxation are found, or until the Chinese Government arranges for the development of the country's natural resources.

FOREIGN COMMERCE OF THE PHILIPPINE ISLANDS IN 1913.

From customs returns received by the Bureau of Insular Affairs it appears that the foreign commerce of the Philippines for the calendar year 1913 fell materially below that of the high record of 1912 in both imports and exports. Total imports amounted to $53,312,786, being $8,355,165 less than in 1912, but relief from the rice-famine conditions of that year was the ruling factor in this reduced total, which really indicates a fairly satisfactory trade. Large local production of rice resulted in smaller importations of this staple foodstuff in 1913 than ever before recorded during American occupation, and imports other than rice show an aggregate increase of about a million and a half dollars. Increased trade is shown in cotton and in iron and steel, and imports of cotton cloths amounting to $8,175,363 were $837,316 more than in 1912, while American cloths made further gains and furnished 73% of the total. In a very general increase in the various iron and steel items, sugar machinery took the lead with a value of $1,000,495, and supplies for the reorganization of the sugar industry on a modern basis were chiefly from the United States and Hawaii. In addition to the smaller rice trade, a reduction in imports of foodstuffs generally is a feature of the year's figures.

Exports amounted to $47,772,956, and a reduction in value of $7,011,782 reflects the continuing effect of the disastrous drought and typhoons of 1912 on the leading products of the islands. Greatly increased prices compensated in a large measure for a decline in exports of hemp from 172,311 long tons to 117,928, but the somewhat higher price of copra was a small factor against the heavily reduced production, and a decline of over 40% in the quantity marketed was attended by a loss of $4,637,742 in export value. Exports of sugar were 154,848 long tons against 193,962 in 1912, and were marketed at a reduced price, yielding a smaller return by $2,767,451. A sugar crop is now in process of harvesting that is confidently expected to surpass all recent records, while cocoanut and hemp plantations are estimated soon to resume normal production. Thus complete recovery from the double disaster of drought and storm seems indicated from the three great export staples of the islands in 1914. Declines in the export values of cigars and leaf tobacco were only nominal, but the cigar trade with the United States fell from the high-record quantity of ninety million in 1912 to seventy-two million, and a diminished demand was indicated in the closing months of the year.

In the distribution of the year's trade by countries, the import declines were in the oriental rice-producing countries. Purchases from the United States were materially larger and for the first time amounted to half the total trade. Shipments to the United States amounted to one-third of the total and the reduced proportion is chiefly to be explained by the withdrawal of the American refiner in large measure from the sugar trade,—sugar shipments to the United States being but 20% of the total quantity against 68% in 1912 and 90% in 1911. Increased export trade to China, Hongkong, and Japan is shown as the result of sugar market readjustments incident to reduced American purchases.

THE PROBLEM OF LABOR IN THE PHILIPPINES

By F. WELLS WILLIAMS

Yale University.

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While the retention of the Philippines as a dependency is still a debatable issue, the principles upon which our government there is based are generally endorsed by the American people. These principles assume our responsibility for the welfare, present and future, of a backward race which has come under our control through the most extraordinary accident in modern history; they promise that the race thus appropriated shall be preserved from enemies without and discord within until such time as it may be prepared to maintain its autonomy; they deny the ancient theory that dependencies may be legitimately exploited for the benefit of a controlling state. However sincerely one may deplore the action of President McKinley's administration which brought this burden upon the nation, criticism of an accomplished fact has no bearing upon the problems involved in carrying out a policy necessitated by these principles. They involve a task which is onerous, but they imply an altruism the exercise of which appeals to American idealism. We are called a practical people. We are so in the material development of our territory and in the ordering of our communities built up during a century of rapid exploitation; but no one who understands the national psychology can fail to recognize the tenacity with which Americans cling to certain commonly accepted ideals. Our national history begins with a revolt against overwhelming odds in behalf of an ideal. Every one of our wars has been undertaken in defence of a professed ideal, and whatever opposition their declaration incurred has been avouched in the name of sentiment and morality. The abolition of slavery, the expedition sent to open Japan, the abundant funds subscribed for missionary propaganda and the devout proposal to abolish war are patent and familiar instances of a trait that more profoundly characterizes the American than any other modern people.

It is desirable to affirm this characteristic of our countrymen in order to comprehend the nature of such conditions as have been launched against the efforts thus far made to improve the Philippines. When confined to the work in hand—apart from recriminations concerning the events of 1898—these criticisms do not venture to impugn the justice of the principles underlying our policy; with these all fair-minded Americans are satisfied. They attack the means employed to enforce this policy, and in such details as are involved in a great constructive work there are opportunities for fair-minded men to disagree. This paper is undertaken with no desire to enter upon the controversies that have arisen from such attacks. It attempts to separate the theory from its application, to ignore for the moment the right or the folly of a nation to acquire control over an alien and defenceless people, not because the moral and political question lacks importance, but because we are confronted now, in Mr. Cleveland's immortal phrase, with a condition, not a theory. The control has been acquired, and unless a political revolution in America ensues, the only discussion profitable to the economist and the statesman concerns the manner in which we exercise that control. From this point of view the time required for the fulfillment of the pledge made to ourselves of ultimately releasing the Filipinos from a condition of tutelage is so considerable as to leave a determination of the date of full independence to another generation.

While it must be conceded that prolonged disputes over the tenure of our occupation necessarily imperil the success of the administration of Philippine affairs and retard the progress of our efforts to educate the people, the fact remains that those in charge of this difficult business are compelled to prosecute their trust on the theory that it will be continued to its completion. For them to act otherwise would be at once cowardly and cruel, and it is as difficult as it would be ungenerous to suspect the civil and military officers employed in those islands of being either. In order, therefore, to advance to a consideration of the practical execution of the abstract principles upon which we rest our claim to occupy the islands we must accept the continuance of our tenure there as a major premise of our theories.

The operations of a civilized government may be comprised under two groups, those of political control and of economic development. In the first are found the executive, legislative and representative machinery, national and local, and the necessary agencies for securing revenue, justice and defence. In the second may be roughly classified the various means by which a people under such a government seek what our forefathers called "the pursuit of happiness." They comprise the advancement of commerce and industry, education, communication, sanitation, the natural resources and labor of the country. In a country such as ours where existing standards of civilization have been reached through the slow process of evolution, economic development has been left to the care of the people themselves. This is less true of the states of continental Europe, where most of these forms of activity are already superintended if not controlled by government, and we are reminded by recent experience, both abroad and at home, that the interests of all the people can be preserved only through a perpetual watchfulness over their further development by the administrative power. We are advancing from a social status, where even the agencies for securing justice, revenue and defence were left more or less to the individual to acquire and retain as he could,

toward that stage where no rights of ownership or regulation will be recognized except those of the state.

The general laxity of authority in America as compared with other nations in Christendom opposes at first sight an almost insuperable obstacle to our solution of the problem presented by the Philippines in conformity to an academic theory such as this, but an abiding trust in the essential logic of our idealism and the determined righteousness of the nation as a whole prompts the comfortable hope that, though we may fall into occasional inconsistencies and be misled by passing controversies, we will pursue the thankless task of training a whole people to take a secure place in the family of nations. Success in this endeavor depends primarily upon our comprehension of the basic elements of the proposition before us. The inhabitants of the Philippines cannot possibly be expected of their own accord to follow the good advice given them or to copy any model of government unlike that to which they have been accustomed. They have no traditions of high culture, no habits of self restraint, no practice in the exercise of responsible government. More than this, they have not even been welded into a national group by the impact of aggressive neighbors, while the paternalism of Spain and the facility with which nature assures them a bare living have combined to keep the intellectual and material standard of society at a low level. They possess no literary or institutional foundation, as in China or India, for the development of an indigenous culture into something hardy enough to hold its own against the aggressiveness of the western world. No reflection upon the character of the people need be implied in this statement; they stand among the older culture groups of the world as children in society, potential members of the family of nations, into the company of which they can be safely admitted when they are prepared to play the part of men with some understanding of a man's responsibilities.

This, then, is the plan of benevolent assimilation which seems to be approved by the conscience of the American people. Consistency in carrying it out demands far more scientific consideration of the economic factors involved in the organization of a state than has been bestowed upon the same elements of our industrial life at home. The novelty of this necessity has aroused some opposition among those who cannot easily understand why grown men should not be able to keep a path of progress in one part of the globe as well as another, but so long as we prefer this rather painful service to the alternative of casting the Filipino people adrift we are compelled to think out their problems for them. To this end, after establishing order in the Islands, we have proceeded to improve their physical condition by drainage, hospitals and sanitary measures, so far as funds were available, that readily commend themselves to all concerned. The same acquiescence generally attends the means adopted to improve communication by roads, railways, steamers and telegraphs between different parts of the Islands, the chief criticism upon these undertakings being that enough has not been expended in this way. Commerce, manufactures, agriculture, mining and lumbering together constitute the sources of wealth to be so judiciously administered that the Islands may continue as a going concern, while the education of the people who are to use their property is undertaken for the purpose of enabling them to profit by it in the right way. The relations between these factors in the economic problem before us are sufficiently obvious; the unknown element yet to be determined is the amount and quality of the labor that is available for the successful exploitation of a territory which must be made increasingly productive in order to sustain a population that grows both in numbers and in its desires for the best things in life.

This summary of the main elements of the economic situation in the Philippines leads to the conclusion that our problem is almost wholly comprised in the one question of labor. If the hands can be brought to the work and applied intelligently to exploiting the Islands there is reasonable assurance of their prosperity and of a happy outcome to our great enterprise; without an adequate supply of labor the economic distress resulting from the burden of taxation due to operating a costly administration system, from the refusal of capital to participate, and from the disgust of American taxpayers confronted with annual deficits, will inevitably culminate in the failure of all of our beneficent intentions and an untimely surrender of an unprofitable possession. To put the matter in another way, the issue involved in our holding the Philippines is not political or ethical or strategic—though these materially affect the event—but economic. If the venture prospers financially the Filipinos will be contented and the moral questions which vex the souls of some of us will disappear like mists in the morning.

* * * * *

In one important respect the business before us has been lightened by the work of the Spanish priests. They failed lamentably indeed in their instruction as measured by any high standard, but they saved a majority of the people from the blight of Islam and they prepared them for an understanding of Christian institutions by converting the greater part of them to Christianity. Baneful as it was we cannot justly ignore the result of two centuries of Spanish occupation. On the other hand it must be confessed that the deplorable laxity and injustice of Spanish rule bred vicious propensities in some of their converts from which the sturdy pagans, like the Igorots, who successfully resisted Christianity, are free. Of these propensities we need consider only one—the slothfulness of the natives—because it alone can be made to account for the backward condition of the Islands. The *Philippine Commision Reports,* from the beginning of the series, revert to the melancholy exhibition of this national trait, which to the energetic army officers who first took the natives in hand appeared to be at once the insuperable objection and the unpardonable sin that stood between the native and his chance of redemption. We read in 1901:

"They care naught for the morrow nor for leaving to their children and their heirs the means for enjoying a happy future. While there are honorable and frequent exceptions increasing in number every day, it is none the less a fact that in general they refuse to eat bread won

by the sweat of the brow, and this in spite of the fact that it is to agriculture the Filipinos owe all there is of value in the general traffic of the Islands."

Attempts to carry on the construction of the famous Benguet road were at first desperately discouraging and nearly drove the engineer to madness. He reports in 1902:

"I cannot bring it too strongly to your attention that as a laborer the Filipino is a flat, absolute failure. a man of no energy and less judgment, ignorant, sly, deceitful and lazy, working only because he is forced to do so, caring nothing for the money he gets at the end of the week. He wearily drags through the six days of his martyrdom, and then with a greater alertness than he has exhibited for a whole week sets his face homeward and is seen no more."

In 1903 he writes that:

"After three years' constant observation of the Filipino as a laborer I have been unable to discover that chord to his nature which if played upon would excite within him an interest in his work and cause him to apply himself with diligence and intelligence to its performance. The most deplorable quality in the native as a laborer is his absolute and utter indifference to any work to which he may be assigned. * * * Although much time and pains have been taken to teach the native proper methods of work his efficiency is, if anything, less to-day than two years ago, for he seems of late to have attained a certain independence of spirit whereby he refuses to work at any price, while in previous times he would do so, stubbornly and unwillingly though it might be. * * * The general average of a Filipino laborer is from one-fifth to one-tenth that of an ordinary white laborer's work in America. It is noticeable that a white man's efficiency in this climate does not reach higher than two-thirds that of the ordinary white laborer in America. * * * The Filipino has proved himself to be more expensive than white labor and one might say practically valueless. There is, moreover, a spirit of maliciousness prevailing among these people, leading them to commit many overt acts such as thefts, assaults and willful destruction of property."

This was discouraging, but in the light of later experience we realize that American officers were ordered to undertake operations without sufficient study of their nature, and the results were necessarily disappointing. In our hurry to begin we did not stop to read even the scant literature upon the Islands, from which at least some information of value might have been gleaned. The German ethnologist, Blumentritt, who visited the Philippines from 1882 to 1896, had already recorded his opinion that the indolence of the natives was due not to their free choice but because the Spaniards had crushed out all desire to work. He continues:

"Dr. Rizal assured me that his people are industrious workers if they may hope for sure profits. This was not the case under the Spanish régime because the monks and officials exercised a very partial mastery, so that it was difficult for the poor to compete with their rich favorites. * * * Germans who have lived both in Japan and the Philippines assert that the Filipino is the equal of the Japanese in many respects, and far his superior in sense of honesty and justice."

* * * * *

As experience has improved by longer contact with the people the discoveries of science have enabled us not only to ameliorate their condition but to detect hitherto unsuspected sources of disability. "The Filipino," observes one of the shrewdest American writers on the Philippines, "are both aided and handicapped by receiving not only their government but their civilization ready-made." The dangers of a too rapid ferment involved in the transformation of the body politic from this bestowal are serious and palpable, but there can be no question of the advantages derived from the application of hygienic knowledge to their well-being. Neither climate nor Spanish misrule can be exclusively blamed for Filipino incompetence. The people everywhere suffer, usually unconsciously, from a plague common in warm countries which has only recently been discovered by science. The commission report in 1909 that:

"It is an indisputable fact that a very large proportion of the Philippine people are unable, either for lack of proper nourishment or on account of the existence within their systems of intestinal parasites or other diseases, to do an able-bodied man's work. Attention is called to the investigations recently carried out under the auspices of the bureau of health, the bureau of science, and the Philippine Medical School, in the town of Taytay, with the result that almost every person examined was found to harbor intestinal parasites of one or more kinds, and very much more than half of the persons had more than one variety."

Scientific care has already eradicated some diseases like small-pox and cholera which were formerly endemic in the Islands, and the effect of these measures is notable upon the statistics of mortality, but such ills as malaria and the hook worm do not yield readily to treatment which can be easily applied. They contribute, however, one of the neglected causes of that prevailing indolence so generally deplored by western writers. Provident employers have already stopped berating the languid native and turned their attention to choosing workmen who are physically fit for toil. One of this class writes:

"We do not let any laborers go down to Mindoro now, until they have passed a rigid medical examination, and we find a large percentage of the applicants for work ought to be in the hospital instead of trying to earn their living; it is simply impossible for such people to be efficient. A great deal has been accomplished in certain sections of the Islands in improving sanitary conditions, but an enormous work still remains to be done."

Better nourishment and higher standards of social welfare will certainly reinforce the efforts of the health officer as the Islands develop in prosperity and the natives learn to satisfy their new-found desires from the wages of honest labor.

The various islands of the Philippine group divide the population very unequally. So long as communication between them was infrequent and difficult the common people seldom ventured away from their own villages, and Spanish

policy rather encouraged a disposition to aloofness that rendered natives of different tribes and districts less liable to unite in uprisings against their rulers. Conservatism and timidity have been the natural result of this combination of physical and political causes, and to overcome them extra inducements have to be offered before the laborer can be got away from home. In the thickly populated Cebu five thousand men were gathered to dig the railroad bed at 25 cents per diem, but the same men could with difficulty be persuaded to do the same work in Panay, a hundred and fifty miles away, for the same pay with their keep included. But, though this is a common experience to-day all over the Islands, it is an obstacle that will disappear with increasing intelligence. An American familiar with the country writes:

"When labor is required in such places, it simply means more money and more work to get a force, but I never heard of any work being permanently stopped for want of labor. I have heard a number of planters complain of lack of labor, but upon close questioning you generally find that they want to go back to the semi-slavery days, which of course is impossible. If planters would pay well and provide decent living quarters, schools, markets, etc., I have no doubt they could get all the labor they need."

The homesickness which renders a simple folk, unaccustomed to roam, miserable without their families, is easily overcome by transporting households to join the workmen in remote places—not a formidable operation in the Philippines.

A systematic effort to improve the mobility of labor was begun in the creation of a bureau of labor in 1908, and the equipment of free employment agencies in Manila and Iloilo, partly to induce laborers to leave over-populated islands for those where the people are less numerous and the wages higher. The results thus far have not been encouraging, "as the Filipino laborer seems to prefer discomfort in the place where he was born to comfort in a neighboring island within sight of his home." But the best proof that the Filipino can be tempted abroad is the experiment of the Hawaiian Sugar Planters Association, begun in 1910, of recruiting their plantation hands in the Philippines. "For $18 per month of twenty-six days and transportation both ways with their families the Filipinos readily accept contracts of five years and seem to be satisfied with their engagement and earnings." There are now about 13,000 of them in the Hawaiian Islands, 8,216 of whom are employed on sugar plantations; 2,200 of these are contractors and planters, being second in numbers to the Japanese among the nationalities who do this kind of work. These Filipinos have earned unpleasant notoriety for the frequency with which they appear in court, 1,318 convictions against them being recorded in 1912. An analysis of the record shows, however, that most of the offences were not heinous and that many were due to ignorance of the law. A Honolulu newspaper says:

"While it is not denied that there are criminals and loafers among them, the figures show that the vast majority who have come to Hawaii, unaccustomed to our methods of work and our social conditions, have become industrious and law-abiding, and a sense of justice should not fasten on these the responsibility for the deeds of the evil-doers."

Whatever may be argued from this rather unseemly phase of Filipino character the fact itself, that there are so many of them at work abroad, is sufficiently striking when we recall the dejected engineer of the Benguet road thirteen years ago. Progress in the attempt to solve the labor problem has been both satisfactory and rapid. The native displays the same desire to improve his condition that is found in every civilized country. He can do coarse labor, when properly treated, in his own country and abroad, in competition with Chinese and Japanese, but he is better fitted by nature for factory and artizan work.

* * * * *

That characteristic American trait of idealism to which reference was made in the beginning of this paper is responsible for the determination at the outset to give every child in the Philippines an education. Our devotion to this one feature in the management of a dependency is the natural result of our experience at home, and the attention given to it contrasts rather significantly with the colonial policies of Holland and even Great Britain. We may here dismiss all questions of morals and duty and confine ourselves to answering the objection often raised against an educated labor class—that wherever people are educated they refuse to perform manual labor. Society has nowhere authoritatively answered this objection. It is true that the only work illiterates in every community can expect to get is work with their hands, but where there are practically no illiterates and no immigration, as in Switzerland, work is still done. It would appear that while regular and necessary employment is the best school for a whole people, there is no reason why children before entering that school should not have the stimulus and advantage of elementary and theoretical instruction. It is not the education of a whole people, but of a particular class by itself which creates an aristocracy. While education is the possession of only a few these will naturally seek positions in offices and pose as aristocrats in fine clothing. The surest check to this in the Philippines is the avidity with which every father desires instruction for his children. When all are educated there will be no reason for one man to think himself better than another, and everyone then as now will have to work or starve. It is impossible to venture further upon a discussion of a mere speculation. We are determined to raise the standard of living and encourage progress generally for the benefit of a whole people; this cannot be done without education. The old idea that education freed a man from physical labor must be overcome by examples of material rewards which skilful labor may bring. The Philippine government in recognition of this is affording greater opportunities than ever before for vocational instruction in public schools. More than half of the 500,000 Filipino youths at school are now enrolled in industrial courses, "and the opportunities afforded generally for this important instruction compare favorably with opportunities for such education in the United States." It may be an old-fashioned idea, but thoughtful Americans still seek the remedy for poverty in raising the standards of desire

and living among the poor. If it ruins the labor market for a time and even encourages revolution by increasing discontent we are willing, we think, to risk it if the ambition of the people can be strengthened. Neither the paternalism which provides land and labor nor the legislative philanthropy which assists the unfortunate is of much avail unless men are stirred to exercise their own will power.

So far as the labor problem in the Philippines admits of a solution the facts before us and the experience thus far gained would seem to warrant our holding to the policy thus far pursued. That policy, as has been indicated, is founded upon principles so deeply implanted in the sentiment of the American people that no political party would venture to incur the risk of seeming to contravene them. Our venture in the East is derided by some and deplored by others, and there is no way as yet of justifying either its opponents or its friends. But while we continue the venture the difficulties and responsibilities must be assumed and our duty done regardless of our personal prejudices, with an eye single only to our national honor. We have the advantage of other countries whose experience we are able to consider to our profit while recognizing the impossibility of departing from our theory of occupation in accepting some of their methods. A greater advantage accrues from the scientific knowledge of the age which admits of applying plans of relief and education undreamed of a century ago. By reason of these advantages and a just and equitable procedure we entertain the reasonable hope that after a period of expert control not excessively prolonged we may leave inhabitants of the Philippines in a position to govern and defend themselves. Unless they can do both of these things they will constitute a danger to the peace of the world.

The introduction of any considerable number of foreign laborers into the country is likely to be attended with such inconvenience or danger to its ultimate welfare that we are disposed to avoid such a step even at the risk of delaying the development of its natural resources. From this brief examination of the factors involved in the problem the obvious conclusion seems to justify the American policy of a common-school education for all classes alike. Such a thing has never before been tried in any oriental country except Japan, and there its results are already sufficiently notable to be encouraging. With the spread of education the ignorance and conservatism of the past will disappear; with the change may come other evils we know not of, but from our acquaintance with the social problem elsewhere we are bound to believe that the perils of divine discontent in an intelligent populace are less than the dangers of illiteracy. Education is necessary for a people who have to turn their hands to all the varied uses to which labor can be put, whatever may be said for the restricted occupations allowed by the Dutch for their agricultural subjects in Java. If we wish to train them, not only for their plantations but for life, we must assume the responsibility we have taken of training them as we train our own children at home. When this is accomplished they will realize, as they do not now, that the fundamental lesson of civilization is the lesson of labor usefully applied.

THE PROJECTED RAILWAYS IN SZECHUAN, YUNNAN, AND KWEICHOW PROVINCES

From *The Far Eastern Review.*

Whatever bearing international politics in railways may have upon the ultimate dominance of western China as embodied in the rich and practically undeveloped provinces of Szechuan, Yunnan and Kweichow, the fact stands out prominent and undeniable that no matter how or by what financial agency railways are built they will be of immense importance in the opening of the resources of the region and be of incalculable benefit to the people in solving their economic problems. Therefore it may not be uninteresting to devote a little attention to this aspect of the great advance towards the destruction of the isolation of "out-back" China that is now being signalized by the granting of rights for the construction of railways into the three provinces and the linking of their capital cities.

The Chinese people and Government have vigorously resisted years of pressure to permit railways to be built with foreign capital into Szechuan province in particular, fearing—and the as yet unborn years might substantially demonstrate that there were solid grounds for apprehensions—that such a thing would augur the loss to China of a province which easily might be developed into a veritable self-contained kingdom. For Yunnan and Kweichow they have not entertained the same regard. Although Yunnan in particular had through the ages supplied the silver, the copper and much of the gold for the use of the Throne and the Government it was not as near to the officials of Peking as Szechuan. More Szechuanese, with their wonderful stories, came down that great and only artery of communication, the Yangtsze-kiang, and Peking officials who braved the terrifying rapids of the upper part of the rivers elected to take for granted what existed on the southern side of the mass of mountains marking the region, and content themselves with any stories that might be told them while enjoying the ease and comforts that could be secured in the great cities of Szechuan. Tales of the wealth of Szechuan thus substantiated by officials were therefore received with greater credence in Peking, and while it was known that Yunnan, the "cloudy south," and Kweichow, the "precious region," contained treasures which men risked their lives and endured long exile from the centres of civilization and learning to secure, the provinces were not appreciated so much as was the one of the "four rivers." And, further, Szechuan, being by far the largest of the eighteen provinces which constituted China Proper, having an area of 218,533 miles, and a population estimated at over 50,000,000, loomed

larger in the official imagination. Yunnan contains but 146,718 square miles, with an estimate of 8,500,000 inhabitants, while Kweichow is still smaller with 67,182 square miles and 7,300,000 inhabitants.

Primarily, of course, the natural physical conformation of the three provinces was the chief bar to mutual familiarity developing between what might be called the mountaineers and the peoples of the great plains extending eastward to the sea. The easiest avenue of approach from the east was by way of the Yangtsze, and then over ceaseless mountains. The turbulent wall of water, which tumbles through the gorges and which has to be climbed from Ichang upwards into Szechuan, was sufficient to deter any but those who could not avoid it, or who anticipated great benefits, from making the journey, while the difficulties and the hardships of overland travel into Kweichow and Yunnan kept them practically isolated from the other parts of the world. It was only the hardy and the adventurous in the plains who could undertake a return journey, while with the exception of traders, the inhabitants of the plateaux, though capable of great endurance, seldom travelled towards the sea, though they maintained unceasing intercourse with each other, journeying either by river, where possible, or on foot, with pack animals carrying their belongings. Between the inhabitants of Szechuan, Yunnan, and Kweichow there are many characteristics in common, and the conditions of life bear close resemblance. Climatically, too, there is similarity, and they are as alike in their fogginess as they are generally in their isolation.

The routes mostly followed by the trading men of the plains to Szechuan and the north of Yunnan and Kweichow were by way of the Yangtsze; to central Kweichow by way of the Mandarin road from Changsha in Hunan, up the Yuan river valley and over the mountains to Kweiyang, the capital; and to central Yunnan by way of the rivers from Canton and by mountain paths to Yunnanfu, or from Indo-China either up the Red River, or over the mountains. All these journeys were tedious and long. But the routes selected and traversed for centuries are those which were the easiest, and which, difficult as they are, will in a measure furnish the routes for the railways that now are to be laid to annihilate distance, time, and heart-breaking mountain barriers. Though most of the rivers of Yunnan and Kweichow are not navigable, they will, to a tremendous extent, facilitate railway construction, for it will be through their tortuous valleys that the engineers will be able to locate the lines which will eventually carry the trains of civilization and modern economic benefits into the mountain locked region.

Of the difficulties of establishing railway communication much might be written. Szechuan is virtually covered with high mountains interspersed with rich valleys. In the east the chains run in a north-easterly and south-westerly direction rising to 6,000 feet; then the great Red Basin containing the rich plain of Chengtu, the capital, with an elevation from 650 to 1,900 feet above the sea, broken by confused hills rising to 2,000 feet above the plains, leads westward towards Tibet, which is cut off by massive ranges up to 19,000 feet high, and northward to chains up to 8,000 feet which form the boundary of Kansu province. In the mountain area high peaks, gorges and chasms, and long, roaring torrents are the feature: on the plains the fertility, the irrigation, the primitive methods of mining, and the industry in agriculture of the population are the chief characteristics which attract the observer.

The latter conditions are similar on the high tablelands of Yunnan and Kweichow, though both possess the additional advantage in some respects of a torrid and tropical climate. Yunnan is, however, more distinctive than Kweichow in its climatic varieties. Where it marches with Tibet the lofty mountains are covered with perpetual snow, and are cleft by deep gorges filled with heavy and suffocating air, but to the east the bulk of the region is composed of plains with an altitude of 6,000 feet, and hills rising another 3,000 or 4,000 feet above them. Near the Yangtsze there are high peaks, gorges and deep chasms, with a sparse population, and a damp, unhealthy climate. In the south there is tropical verdure, and to the east there are "large and verdant plains, now encircled with boundless horizons, now studded with mounds and hills, but everywhere abounding in marshes, lakes and rivers. The sky is pure, the temperature mild and pleasant, while the population is concentrated in the valleys and near the lakes." In the limestone regions fir-trees cover the mountains, while in those of schist formation splendid forests abound. In the north-east on the boundary of Kweichow is a broken mass which extends well into Kweichow.

Sugar loaf peaks characterize the mountain masses of Kweichow, which is also a great tableland, with a mean altitude of 4,200 feet, the valleys in the south-west, however, attaining an elevation of 6,500 feet above the sea, the peaks rising to 9,000 feet. Basin-shaped depressions mark the tableland, which is intersected by rivers running torrentially in narrow and deep gorges. Abruptly it descends on the south and, again to use the words of Pere L. Richard, "it is through a series of steps that a passage is effected from one valley to another." The Chinese proverb has it that seven-tenths of Kweichow province are mountains, though they are less elevated than Yunnan and the climate is less healthy. Likewise Kweichow differs from Yunnan in that it has not the lakes and rivers, and its soil lacks the fertility of its south-western neighbor. In general, while the physical conditions of Kweichow have compelled observers to describe them as a "sea of mountains," those of Yunnan have been likened to "an immense staircase" in the north-east, while in the west and south they form "a vast field furrowed with long and deep ravines."

Thus, then, the orographic character of Szechuan, Kweichow, and Yunnan is the chief barrier to railway communication, and has been for ages the reason for the comparative isolation of those three provinces. But the engineer with modern methods can overcome the natural obstacles, and is at work overcoming them, the only question to be considered in the task being—cost.

All construction work will be difficult, cutting, tunnelling, and bridging, though more of the two former than the latter, and costs of operation will be determined by the gradients. Plateaux have to be scaled in each province, but the great obstacles are the cross mountains, the deep gorges and rocky chasms, which combine in making the finding of levels difficult.

Major Davies, in his report on a reconnaissance from Burma to the Yangtsze estimated that a metre gauge railway would cost for the 1,000 miles from £15,000,000 to £20,000,000. This line would run from the Kunlong ferry to Suifu, on the Yangtsze, via Yunnanfu, and traverse difficult country, necessitating at times a grade of one in 25, with possibly a few short lengths of rack. The heaviest of the grades are encountered near the Yangtsze, a section over which the line to connect Chungking with Yunnanfu must run.

The cost of the 288 miles of the railway which runs through Yunnan and connects Indo-China with Yunnanfu, was £6,600,000 according to official figures. Other authorities place it higher, but the tremendous difficulties encountered in building this railway will be repeated on whatever line is brought into the province from any other direction. Apart from the immense task of mounting the plateau and penetrating the ultimate appalling gorges set before the French engineers for solution, the death rate among the workmen who had to toil in the jungle fast-

ness of the fever laden Namti Valley was terrible, and the labor problem was almost as great as the physical obstructions. On the Yangtsze side of the province fever is likewise to be feared and, also, it may be expected when work is being done—if it is undertaken—on the line from the West River valley, on the south-east.

Mr. K. S. Low, who surveyed this route from Poseh, considers that it will cost to build the 435 miles from that place to Yunnanfu some $51,000,000 (about £6,375,000). On the railway now in course of construction from Hankow to Szechuan along the Yangtsze it is estimated that it will cost anything from £15,000 to £20,000 per mile. It is to be said, however, that so far no engineer's report has been made on the line.

Thus we are able to get a fair idea of the cost per mile of entering Szechuan and Yunnan from four different routes, and those figures might also be applied to Kweichow, though Mr. H. C. Carter and staff of engineers who are now making a reconnaissance over the line from Shasi on the Yangtsze, to Shingyifu in the southwest of Kweichow province, will furnish an estimate in a few months which will settle any doubts so far as that route is concerned.

The lines which China has contracted to build in Szechuan, Yunnan and Kweichow are as follows:—

From Hankow to Chengtu, via Chungking approximately	1,100 miles
From Chungking to Yunnanfu, approximately	570 "
From Yunnanfu to Yamchow, via Nanning approximately	660 "
From Shasi to Shingyi, with a branch to Changsha from Changteh, approximately	760 "
Total	3,090 miles

The estimated cost in Mexican currency for the engineering work on the line into Szechuan from Hankow to Chengtu is as follows:—On the section from Hankow to Ichang, $67,000,000:

From Ichang to Kweichow (in Hupeh), $15,000,000;

From Kweichow (in Hupeh) to Chungking, $81,000,000;

From Chungking to Chengtu, $72,000,000.

These figures are approximate only, but they give a total of $235,000,000, and to that amount has yet to be added the financial charges in connection with the raising of the loan, etc., which can be estimated at about a third more, or say, a total of $313,333,333. This would work out at something like £28,000 per mile. A proper study of the country to be traversed may reduce these figures, but they are given because they are the ones which the financiers will have to consider in determining the amount of the loan to be raised for the purpose of the railway.

What is demonstrated by these figures is that the cost of putting a railway into Szechuan, Yunnan or Kweichow will be in the vicinity of at least £20,000 to £28,000 per mile for the mountainous parts, and, as all the routes are beset with heavy masses of mountain it is likely that the average cost per mile for the whole system will not be less than from £15,000 to £20,000. Taken at £18,000 per mile it will mean that to build the minimum of 3,090 miles China will have to expend £55,620,000 at least.

The question whether this expenditure is justified is answered by the importance of the territory to be covered; the value of the undeveloped wealth which it undoubtedly contains, and the extent of the population which will be benefitted. In China, railway building differs from similar work in countries such as Canada, America and Australia, where lengthy lines have been run into the vast uninhabited spaces to which settlers have only been induced to go by the fact that a railway has been built. The raison d'etre of railways in the primeval parts which have been opened up in the new countries, is the creation of new settlements, but that does not, to any such extent, actuate those who open communication in China. Here, for centuries, populations have spread to the uttermost ends of the country, and the traveller to any part of the vast regions to-day may find wherever he goes large walled cities, prosperous towns, and continuous cultivation. Populations in China are virtually waiting for railways wherever any length of line might be laid. Out in Szechuan, Yunnan, and Kweichow there is trade. It has been going on for æons. There are big populations in Szechuan in particular, and had the Mohammedan rebellion (1856-1872) not devastated and depopulated Yunnan and Kweichow those provinces would have been peopled like the provinces less seriously affected. Railways are needed in these provinces not only to open up communication, but also to develop the vast mineral and agricultural wealth, the former of which has not yet been touched on scientific lines. They are also required for even a still more important reason and that is to enable the Central Government of China to strengthen its hold upon possible seats of rebellion, and to assist it to defend its frontiers.

With a progressive Government energetically devoting itself to the betterment of the country by liberal laws for the advancement of commerce and industry, railways to the three provinces should pay, apart from possibilities of large passenger traffic. All three are possessed of great deposits of silver, copper, coal and iron, with the addition of gold, salt, zinc, quicksilver, argentiferous lead, etc. Agricultural produce grows in Szechuan, Yunnan, and at least the south sections of Kweichow, in abundance—with no markets other than these near at hand. The people have more than they can consume, and therefore crops are grown mostly for self-sustenance.

Wheat and barley, maize, millet, buckwheat, sesamum, rice and fruit of different kinds such as apples, pears, peaches, walnuts, quinces, and cherries are grown in abundance, and the extremely excellent grazing grounds permit of the breeding of large flocks of sheep, herds of ponies and cattle. Pigs thrive in abundance, the staple meat of the people being, in fact, pork. There would be offering for export the valuable mineral products, as well as cereals, hemp, livestock, horns, hides, etc., while the imports would be raw cotton, piece goods, kerosene, cigarettes, and the hundred and one articles of European manufacture which the Chinese have a predilection for. As Colonel Manifold says of the inhabitants of Szechuan, so of the people of Yunnan and Kweichow; they, "like most other Chinese, and unlike most other eastern nations, require no education to make them appreciate articles of foreign manufacture. It is only necessary to develop the natural resources of the province and to give its population facilities for securing a market to ensure that the money is forthcoming. The Szechuanese will then buy everything that he thinks will wear better than the home made article, or which he is unable to make himself, or which will be of advantage in saving labor."

Railways built at such a heavy initial cost could not, of course, become an immediately paying commercial speculation, but they would pay the Central Government in many directions, and with proper handling, under expert traffic officials, combined with a judicious forward industrial policy on the part of the Government, might easily be brought to the paying stage in a very short space of time. Insofar as the French railway from Haiphong to Yunnanfu is concerned it must be understood that it is not being conducted in a manner to inspire confidence and encourage trade, nor is it operated with the idea of benefitting other trade than French. Were the line from Haiphong controlled with the interests of Yunnan and the railway as the first consideration, and not subordinated to the interests of French trade in particular, it would tell a story different from that which it does tell.

However, to obtain some idea of the portion of the trade which, in both Szechuan and Yunnan can be checked, it is necessary to turn to the reports of the Maritime Customs Commissioners in the few remote open "ports" in those provinces. While the details for the year 1913 are not yet available the total collections at the "open ports" of Chungking (Szechuan), Mengtsze, Szemao and Tengyueh (Yunnan) were:—

Chungking	Haikwan Taels	411,195
Mengtsze	" "	365,852
Szemao	" "	6,454
Tengyueh	" "	64,482

In 1912 the Revolution naturally affected trade in the distant parts, and that fact should be remembered when considering the trade of that year in provinces so far removed from the sea as Szechuan, Yunnan, and Kweichow. At Chungking, however, the returns were very little less than in 1913, Taels 404,482 being collected, as against Taels 378,889 in 1911 (also a year of revolution, particularly in Szechuan) an increase of Taels 25,593. The interesting point is that the *export* tables show that the increase of exports for 1912, as compared with 1911, amounted to Taels 48,051 and Taels 31,664 as compared with 1910. The net value of *foreign goods* imported, direct and coastwise, was Taels 7,815,401, a decrease of Taels 4,743,999 on the corresponding figures of 1911. The Commissioner of Customs at Chungking particularly refers to the manner in which foreign trade was benefitting local people by citing a rise of 15 to 20% in a new article of export for the foreign market, an increase which went mainly into the pockets of the producers; this despite the absence of all but most perilous communication. What these perils are is also indicated by the Commissioner when he says that during 1912 inward bound junks to the number of 240 were either wrecked or stranded at the rapids. No mention is made of the disasters to junks bound down-stream. The total value of imports and exports was Taels 26,872,475 as against Taels 32,308,635 in 1909, showing the effect of the revolution of 1911-12.

The Ichang Commissioner reported that in 1912 the export of hides, skins, and wheat had more than trebled, vegetable tallow rose from 12,041 piculs in 1900 to 30,047 piculs; varnish was almost doubled; nutgalls increased fully four times; leaf tobacco rose 150 per cent, while coal also rose 150 per cent.

In Yunnan trade was also affected by the revolution, yet at Mengtsze the Customs experienced a record year. The net value of the foreign trade reached a total of Taels 19,569,689, and the Commissioner says, "with the aid of outside capital the Government of Yunnan will be able to extend its railway system and develop the mines with which it is so richly endowed." The collections for the year were Taels 361,244, as against Taels 245,383 for 1911. Chinese goods exported were valued at Taels 11,847,849, compared with Taels 6,750,304, the enormous increase being due mainly to the output of tin at the Kokiu mines—95,624 piculs in 1911 and 138,331 piculs in 1912. The Commissioner adds that "the washing and smelting plants imported in 1910 and 1911 by the Kokiu Tin Mining Company are at last in working order and were completed during the year by the installation of an electric plant, and an important increase in the output of tin and an improvement in its quality are therefore keenly anticipated in the future. The exploitation of a new tin mine is being started at the foot of the Kokiu mountains, in the Mengtsze plain, by another company. Zinc (spelter) rose from 2,732 piculs in 1911 to 12,494 piculs but *the great distance of the producing centres,* Tungchwanfu, *in north Yunnan,* and Hweilichow, *in south Szechuan, on the left bank of the Yangtsze*—both far from actual railhead (Yunnanfu)—precludes the idea of a much-developed exportation for the present." This particular fact of long distance porterage to reach the railway is noteworthy. "In August the Railway Company (French) raised its freight on tin for Haiphong from $40 to $45 per ton of 1,000 kilos, a measure which was felt very much by the merchants *and will hasten the construction of the Yunnan-Kwangsi railway.*" The italics are ours. This reference to the mineral development bears out the arguments advanced as to the necessity of railways to these distant provinces, and the mention of the increase in freights on the French line substantiates what is said in another part of this article in reference to the freight rates on the Yunnan-Haiphong line.

At the remote port of Szemao in southern Yunnan the volume of trade reached Taels 262,801, the value of foreign goods imported being Taels 219,578, which was carried by 5,187 men and 19,698 pack animals.

At Tengyueh, another remote port in the far southwest, served only by carriers or pack trains, the foreign goods imported reached Taels 1,842,000, nearly 78% of which were sent inland under transit pass. Chinese goods to the value of $682,000 were exported, 70% being Szechuan silk.

These references to Customs statistics are made merely to show what trade is carried on, despite the tremendous difficulties of transport and the great distances from the sea, and are only from those places where the Maritime Customs have stations. Trade passing through other routes is not recorded, and there are no means of accurately ascertaining what it is, but the Customs reports are sufficient to show that railway communication would not only create a tremendous change in the economic state of the provinces concerned but would also benefit foreign trade immeasurably.

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CONTENTS.

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The National Foreign Trade Convention, in whose organization the American Asiatic Association took part, was in session for two days, May 27th and 28th, and its proceedings made a valuable contribution to a better understanding of the means of promoting American enterprise abroad. Mr. Webb's paper on China and Japan, which is elsewhere reproduced, and that of ex-Governor Forbes on the Philippines, were the only addresses dealing directly with the subject of Far Eastern trade. But considerations affecting the attitude of our government toward the investment of American capital in China were, incidentally, raised in the discussion of the various phases of the larger problem of how to promote our commerce with the undeveloped sections of the globe. The next number of the Journal will contain copious excerpts from the papers submitted to the Convention and from the reports made of the discussions of which they formed the occasion. It is satisfactory to note that the Convention fully justified the expectations which had been formed of its composition and influence and the record it made fully warrants the belief that it will be the precursor of a long series of annual gatherings devoted to the consideration of the same great subject.

The resumé of the salient events in the history of China for the last twenty years by the Honorable William W. Rockhill, which appears in this number of the Journal as a Monograph of the Asiatic Institute, is a valuable and weighty contribution to one of the most momentous chapters in the history of our time. There is no man better qualified than Mr. Rockhill to pass in judicial review the events which have marked the new birth of China, and none who has a more sympathetic appreciation of the difficulties which beset the actual ruler of China to-day. Before passing a harsh judgment on the arbitrary proceedings of President Yuan, due consideration should be given to a statement in which Mr. Rockhill merely expresses the conviction of those who know China best: "The republican form of government was accepted by the people of China, who knew nothing of it, or of any representative form of government, at the suggestion of a few well-meaning idealists who, in turn, were to the last man without any personal experience of any form of popular or parlia-

mentary government, and in the belief apparently that a republic, and especially a Constitution, would automatically restore peace, order and prosperity." Nor does Mr. Rockhill make too large a draft on credulity when he says that the policy constantly and consistently advocated by Yuan Shih-kai aims primarily at the maintenance of peace and order throughout the country, and the restoration of confidence among the people in those put over them in authority. "It advocates slow, well-reasoned, practical reforms, suited to meet the real and immediate wants of the people and with due recognition of their peculiarities of race and past culture." It will be admitted that if Yuan can attain these ends he will have conferred incalculable benefit upon his country.

IT is true that, up to date, the prospect of organizing a representative body worthy of the name as a substitute for the one which Yuan so unceremoniously dissolved appears to be somewhat nebulous. Professor Goodnow, in his capacity of adviser to the President, suggested that the Representative Assembly of the Republic of China should consist of a single chamber, and should be composed so as to represent those interests in the country which count for something in the life of the people. That is to say, in addition to the representation of definite districts, the attempt should be made to give to each of the economic and social interests in the localities a certain number of representatives. He enumerated these interests to be: (1) the literary class; (2) the land-holding or agricultural class; and (3) the merchant class. As to the first, Dr. Goodnow thought that the only practicable method of determining the possession by a given person of qualifications indicating the requisite degree of learning would be that he shall have pursued a certain course of training of which the evidence should be a diploma or degree. In regard to the second, it was suggested that a certain number of representatives should be the owners of a certain amount of landed property; and as to the third, that a certain number of the representatives doing business in some one of the cities of a prescribed size in the Republic should stand for the merchant class. The latest advices from Peking indicate that radical amendments have been made to the Provisional Constitution, and that the new powers added to those already possessed by the President enlarge his authority practically to that of a dictator. Both Cabinet and Premier have apparently disappeared, and Departmental Ministers will hereafter be responsible directly to the President, who will be served by a Secretary of State instead of a Premier. An Advisory Council is to be formed upon which the President will depend for authority in dealing with Parliament, when that body is finally chosen, and a Convention will be nominated by the President to draw up the permanent Constitution.

ALL this, in the estimation of one who knows China so intimately as Mr. J. O. P. Bland, indicates a policy deliberately framed to facilitate the restoration of the monarchical system of government. The fact is pointed out as significant that the decrees in which the Manchu dynasty voluntarily relinquished the throne, deliberately avoided using the Chinese term which conveys the idea of final abdication. The machinery of monarchy was carefully left and still remains intact. "In close proximity to the Presidential quarters, the boy Emperor continues to enjoy the traditional prerogatives and dignities of the Son of Heaven, to hold his daily Court and to maintain the elaborate etiquette of the Forbidden City." Hence, as Mr. Bland sees the situation, the road to the re-establishment of the monarchy is evidently clear, and from Yuan's present dictatorship to complete restoration of the old order can only be a matter of time and opportunity. In Mr. Bland's judgment, all recent events tend to justify the belief that the change will be gradually and peacefully accomplished, by steps conforming tactfully to national sentiment and precedent and by adherence to the policy which Yuan publicly proclaimed in 1911; that is to say, by retention of the then existing Manchu dynasty with greatly restricted authority.

HOWEVER this may be, it is highly satisfactory to note that the financial position of the government of China shows steady improvement. This is especially noticeable in the returns of the Salt Gabelle, which have exceeded the most sanguine expectations. It is distinctly an encouraging indication of the restored unity of the republic that up to the end of December Canton should have paid up $3,000,000, supplemented by $700,000 and $600,000 in January and February of this year. By the end of April the Salt Administration was able to hand over Hk. Tls. 2,700,000 to the Chinese Government out of collections accumulated by the foreign banks. A sum of $10,000,000 has been retained as sufficient to meet all charges upon the revenues of the Gabelle for a considerable period ahead. Should collections continue to be maintained at the present figure, further surpluses will soon be available for the Government. Since upon these largely depends the ability of China to negotiate further loans for the rehabilitation of her finances, the value of the reforms introduced by Sir Richard Dane receives as cordial appreciation in China as it does abroad.

THE hopeful tone of the address made by Miss Mabel Boardman at the dinner given to the Chinese Minister by Dr. Seaman's Society will be noted with general satisfaction, especially since there seemed to be some danger of the Hwai River conservancy scheme being delayed, if not defeated, by petty obstacles interposed at the prompting of a narrow and ignorant prejudice. The character of the engineers designated by the Government of the United States to make the surveys which must precede the beginning of the work is of the highest, and is a testimony, if any were needed, of the importance which the President attaches to the capable prosecution of an enterprise with which the name of our country will be inseparably identified.

Exports of Domestic Cotton Cloths, Mineral Oils, and Wheat Flour from the United States to China and Hongkong, during the nine months, ending Mar. 31, 1913 and 1914.

EXPORTS TO CHINA.

Months.	Cotton Cloths. Yards.		Mineral Oils (illuminating). Gallons.		Wheat Flour. Barrels.	
1912						
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
November	4,465,586	312,753	4,610,300	267,220	1,626	6,591
December	4,140,282	285,499	3,208,710	266,649	8,096	30,853
1913						
January	7,096,890	481,040	2,988,096	134,464	11,264	44,611
February	7,005,113	489,324	3,385,530	293,367	35,988	139,183
March	8,576,182	561,677	7,817,080	442,421	47,313	178,385
Total	43,425,140	$2,983,216	44,345,730	$2,984,696	108,024	$415,060
July	13,861,576	947,287	7,367,800	400,559	8	48
August	5,839,825	398,458	2,029,963	101,498	3,128	12,545
September	12,196,195	815,514	7,188,242	388,354	13,763	53,191
October	8,478,971	606,864	5,586,934	403,697	36,881	150,509
November	6,030,732	414,584	11,169,900	763,814	22,163	80,728
December	10,123,497	696,682	1,587,995	142,924	19,403	76,033
1914						
January	5,834,057	374,844	5,862,678	550,580	20,438	83,928
February	5,917,505	386,094	3,933,710	365,668	9,128	37,567
March	3,480,246	234,926	10,357,055	761,109	6,842	25,543
Total	71,692,604	$4,875,253	55,084,277	$3,878,203	132,754	$520,092

EXPORTS TO HONGKONG.

1912						
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
November	60,138	9,400	600,000	52,325	101,682	401,414
December	155,414	15,971	.....	.....	63,521	250,274
1913						
January	636,832	43,454	1,425,810	151,888	60,862	228,941
February	163,478	25,420	.....	.....	102,121	410,463
March	196,668	29,815	.....	.....	129,461	492,019
Total	1,634,634	$166,974	2,026,090	$204,242	943,666	$3,698,295
July	101,998	16,568	3,659,160	258,103	143,689	572,237
August	155,718	20,489	.....	.....	49,897	202,209
September	109,192	16,476	487,143	45,342	27,423	105,366
October	132,835	20,351	2,755,658	161,053	157,358	617,471
November	47,646	6,924	950,000	89,300	174,918	699,052
December	55,790	10,469	850,000	79,899	191,375	736,979
1914						
January	26,947	4,210	3,069,936	154,129	156,240	630,482
February	37,817	5,925	2,313,350	137,351	45,483	182,177
March	25,121	4,034	60,770	6,182	84,138	328,602
Total	693,064	$105,446	14,146,017	$931,359	1,030,521	$4,074,575

DEPARTMENT OF COMMERCE,
Bureau of Foreign and Domestic Commerce.

WASHINGTON, D. C., May 16, 1914.

Imports of Tea and Silk into the United States for the nine months, ending March 31, 1912, 1913 and 1914.

TEA.

Imported from	1912. Pounds.	1912. Dollars.	1913. Pounds.	1913. Dollars.	1914. Pounds.	1914. Dollars
United Kingdom	10,703,303	2,812,230	9,320,377	2,664,944	10,592,359	2,876,592
Canada	1,872,537	531,623	2,176,377	627,782	2,145,467	611,560
China	16,230,024	2,101,821	22,403,385	3,088,689	19,815,460	2,696,155
East Indies	10,758,731	1,806,915	8,165,018	1,316,993	7,854,467	1,352,178
Japan	51,048,416	8,580,074	41,585,709	7,208,860	37,276,321	6,191,168
Other countries	645,297	115,895	850,002	165,648	928,981	178,562
Total	91,258,308	15,948,558	84,500,868	15,072,916	78,613,055	13,906,215

SILK.

RAW, OR AS REELED FROM THE COCOON.

Imported from	Pounds	Dollars	Pounds	Dollars.	Pounds.	Dollars
France	67,227	256,762	101,638	293,373	45,917	156,144
Italy	1,289,012	4,664,351	2,080,721	7,698,615	1,350,883	5,886,229
China	3,548,264	8,235,982	4,249,462	10,567,496	4,490,002	11,851,807
Japan	10,772,549	35,131,598	13,695,993	45,169,393	15,807,871	54,579,332
Other countries	158,068	552,699	122,156	443,818	299,436	1 111,478
Total	15,835,120	48,841,392	20,249,970	64,172,695	21,994,109	73,584,990

THE DINNER OF THE CHINA AMERICAN SOCIETY

Kai-Fu Shah, the first accredited Minister to the United States from the Republic of China, was the guest of honor at a dinner of the China Society of America held at Delmonico's on Monday, May 25. He made a brief speech in which he declared that the withdrawal of American financiers from the six-power group left this country in a better position to assist China. He said that European capital had for years found profitable employment in China, and instances the case of the Standard Oil Company's concession as indicating the disposition of Americans to assist his country in developing its enterprises. Mr. Shah declared that deception no longer has a place in present-day diplomacy.

Andrew B. Humphrey, chairman of the board of directors of the China Society, offered a toast to the President of the United States and the President of China. He then called upon Major Louis Livingston Seaman, president of the society, who acted as toastmaster. On the dais were seated the following speakers and guests: Mr. and Mrs. Shah, Prof. John Bassett Moore, formerly counsellor of the State Department; Frederico Alfonzo Pezet, Minister from Peru; Robert Bacon, ex-Ambassador to France; George W. Wickersham, Miss Mabel T. Boardman, of the American Red Cross Society; John Barrett, director general of the Pan-American Union; Admiral F. E. Chadwick; Dr. Jeremiah W. Jenks, Dr. Nicholas M. Butler, president of Columbia University; Dr. Hamilton Mabie of the *Outlook;* Henry Clews, Lindsay Russell, Talcott Williams, Dr. S. L. Gulick, Y. Y. Young, Chinese Consul General at New York; the Rev. Hui Kim and Wen-Pin Wei.

The most notable address of the evening was that of Miss Mabel T. Boardman, which we reproduce in full as follows:

THE BROTHERHOOD OF NATIONS

It seems a strange, though well recognized, fact that in their moral growth and development, as far as mutual relationships are concerned, nations are far behind individuals who compose them.

We go back to the stone age to find man the individual living in the state of frequent warfare with his fellow man, ever fearful of encroachment upon his own rights, ever suspicious of the intention and design of his neighbor. The earliest treaties must have been agreements between a man and his neighbor; and a multitude of such agreements may in time have crystallized into general laws for the benefit of the entire tribe or community. Such laws, upheld by the power of all, gave a man protection in the maintenance of his rights and did away with constant fear and suspicion of his neighbor. With the disappearance of such barriers a friendlier relationship must have grown up, and a sense of mutual dependence and responsibility. At first this would exist only between individuals, but as man developed his relationship with his fellow men broadened with the realization of his relationship to the entire community.

The primary causes of this development would be a most interesting study until we reach the wonderful fruitage of to-day's civilization. Never before has the fact that the welfare of each depends upon the welfare of all been so strongly borne in upon us. What seems a strange reversal of the old maxim is true, "What we have done unto others we have done unto ourselves."

Granting this development of a sense of brotherhood between individuals and the responsibility of each to all in a nation, are we not ready to push still farther upward and to aid by whatever lies within our united power to lift nations to the same plane that we as individuals have attained. Nations are to-day at frequent warfare one with another. They fear encroachments upon their rights, and have no hope for protection save in their own good swords and the arbitrament of arms. They are suspicious one of the other, and often justly so, for their treaties and agreements are but partially crystallized into international law, and even this has no united power of nations to maintain it.

The history of nations show the same general process in their growth. The early warfare between tribes and petty kingdoms exists until the necessity of a combination against some common foe brings about a union nothing else can lastingly or successfully produce. The advantages gained by such a union become so evident that disruption rarely occurs save because of degeneracy on the part of the people of the nation. If to-day the inhabitants of Mars could threaten the nations of our earth, how quickly would some federation of states be formed for mutual aid! I know there are many who believe there is quite as much possibility of war becoming obsolete as there is of an attack from Mars. I am not one of these. I believe

man has still a higher goal before him and that in its attainment we can each take our part. When nations recognize their international duty, their international responsibility, their mutual dependence one upon the other—in a word, their brotherhood—the goal will be in sight. What steps forward towards this goal where all nations shall meet can we take?

In this brotherhood China is the eldest brother. No other nation in the world can trace back as a nation such a history. We on this side of Mother Earth are but one of the youngest of the family, hardly more than a lusty boy, with all the assurance and the arrogance of youth; a boy who has much to learn of the eldest brother, China. Let him learn from his brother respect for his elders, let him learn the virtues that the old European writers attributed to the people of China two thousand years ago: the virtues of mildness, justice, frugality and peacefulness. The honesty of the Chinese merchants is proverbial. "His word is as good as his bond." That we have much to learn from Chinese art I feel myself a living example. Last Christmas a friend gave me an exquisite little old Chinese goddess in white porcelain, and I have a sister who threatens to steal it, as she declares me in my ignorance unworthy of the possession of such a treasure.

The great master, Confucius, was once asked by one of his disciples, "Is there one word which may serve as a rule of practice for all one's life?" The Master said, "Is not 'reciprocity' such a word?" What may we have, then, in this rule of reciprocity to give to China in return for all she is ready to give to us? Protestations of friendship and fine words are not enough. The great Master said, "At first my way with men was to hear their words and give them credit for their conduct. Now my way is to hear their words and look at their conduct." Wise old Confucius! "By their deeds ye shall know them."

Senator Root, when Secretary of State, said in an address before the American Red Cross: "It is of the utmost importance to have some agency already organized, already equipped, possessing the confidence of our people, in order that the constant compassion, universal humanity, the strong desire of the American people to give succor to the distressed, to relieve pain and suffering, may have an easy and immediate opportunity for its exercise. The Red Cross fulfills this high and noble mission by affording an opportunity to our countrymen to express and set upon the noblest emotions of human nature."

During the last six years, while the American Red Cross has expended hundreds of thousands of dollars for famine relief in China—and this does not include large cargoes of food, their transportation, nor the contributions furnished through missionary and other organizations—the sufferings of multitudes of men, women and children have been strongly impressed upon its officers by the reports received from the relief committees in the Far East.

To relieve such distress the Chinese Government remitted taxes, appropriated money, and the people contributed to the relief work. Through the medium of our Red Cross we were able to express in deed our friendship for China; but there was something more, something still better, we could do.

In the youth and vigor needed to deal with the problems of a new continent we have learned much. The knowledge obtained through the solution of the problems we may have solved belong to others besides ourselves.

The Charter of the American Red Cross requires not only that it should mitigate the suffering caused by famine and other great calamities, but imposes upon it the duty to devise and carry on measures for preventing the same. Is this prevention of the floods and the resulting famine possible? Is it feasible?

It is for the solution of this great problem that China has turned to one of the younger brothers in the family of nations to ask for aid. We are honored by China's request, and I believe we will prove ourselves worthy of the trust and confidence she has placed in us.

In 1911 the officers of the American Red Cross, with the approval of the State Department, offered to the Chinese Government an expert engineer on river conservancy to make a thorough examination of this flood and famine region, with a view to designing some scheme by means of which the flood level could be lowered, the rivers properly drained, and the swamps and shallow lakes drained and made available for agriculture. For this purpose a small balance of the famine relief fund then in hand was utilized.

This offer was accepted by the Chinese Government, which also appropriated money to aid the work in the field of Mr. C. D. Jameson, the engineer sent by the American Red Cross.

These floods occur in those portions of Anhui and Kiangsu, which lie north of the Huai River, the Hungtze Lake and the old bed of the Yellow River, south of the province of Shantung, and the present bed of the Yellow River, and extending east and west from the sea to the Ke River. This section is a portion of China's great alluvial plain.

We have the history of this section—physical, geographical and human—for the last twenty-five centuries at least, and in addition the records of the years of flood and famine and the amount and kind of relief given to the sufferers. Four thousand years ago the "Great Yu" devoted nine years to flood prevention work.

The floods have so increased in frequency and the resulting famines in acuteness that now, over the whole area under consideration, the farmers do not average more than two crops in five years, where, if the floods were eliminated the normal condition would be two large crops each year and this loss is an ever-increasing one.

Both the administrations of President Taft and that of President Wilson have most earnestly supported and encouraged the proposed effort for the prevention of these floods.

In a long dispatch to the State Department, Dr. Reinsch, the American Minister at Peking, reported:

"There cannot be any doubt of the vast importance of the execution of this work from the point of view of humanity, as the welfare of the millions of human beings who inhabit the northern part of Kiangsu and Anhui is entirely dependent upon this improvement. Vast floods, with their heartrending consequences of famine, involving death and suffering of millions, will continue until this work is carried out. Of the soundness of this enterprise as a business undertaking, the report of Mr. Jameson made to the Red Cross in August (29), 1912, gives sufficient indication. The lands recovered, together with the benefit of the taxes to be imposed upon lands relieved of periodic floods, would afford an ample security for the loans."

The American Minister at Peking cabled on January 23 to the Secretary of State that the Chinese Government was ready to grant to the American Red Cross exclusive authority to make arrangements for the Huai River conservancy work, this authority to be effective for one year, the amount of the loan to be $20,000,000 and an additional sum later if needed to complete the work. The Chinese Government guaranteed the loan and gave in addition as security the taxes and revenues from the lands benefited in the conservancy area.

A request was also made that the American Red Cross recommend an engineer—preferably an army engineer—of at least five years' experience in the United States on river conservancy of the first magnitude for the post of Chief Engineer, to be appointed by the Chinese Government.

At a joint meeting of the Executive Committee and the International Relief Board of the American Red Cross—

at which were present: General George W. Davis, Chairman; Senator Root, Secretary Lane, Prof. John Bassett Moore, Henry D. Flood, Chairman of the House Committee on Foreign Affairs; Mr. Seth Low, and a number of other members—the matter was thoroughly discussed, and the Department of State was requested to cable to the American Minister at Peking regarding the proposition of the Chinese Government that the Red Cross is a humanitarian and philanthropic organization, and under the terms of its charter cannot extend its functions to commercial or business enterprises; but that it was prepared to name an engineering corporation of high character and responsibility to take up at once with the Chinese Government the terms and conditions upon which such corporation would provide funds for the conservancy work. The American Red Cross agreed, in case the Government of China makes the necessary contract, further to use its good offices to aid in obtaining the loan and to secure a competent and experienced engineer, preferably an army engineer, to be appointed by the Chinese Government as Engineer-in-Chief, to the end that the conservancy work may be carried on under the supervision of such an engineer. Mr. Jameson, the Red Cross Engineer, will be appointed by the Chinese Government General Adviser.

It was furthermore agreed that a board of eminent engineers be appointed, three of whom, together with Mr. Jameson, are to proceed to China to verify Mr. Jameson's report and determine the feasibility of the plans.

Congress has just passed, unanimously in both Houses, and with the approval of the President and the Secretary of War, a bill permitting an army engineer to accept employment by the Chinese Government for this purpose.

It is with the greatest satisfaction that the Red Cross is able to announce that for the position of Engineer-in-Chief and for Chairman of the Board it has secured for China the services of Colonel William L. Sibert, one of Colonel Goethals' ablest assistants in the building of the Panama Canal.

A second member of the board has been obtained through the good offices of the Secretary of the Interior, Mr. Lane, who has granted the Chief Engineer of our own Reclamation Service, Mr Arthur P. Davis, five months' leave for this purpose, stating in his letter that he did so because of his appreciation of the importance of the work. The third member is Professor D. W. Meade, of the Wisconsin University, a member of the Ohio Flood Commission and one who therefore possesses most valuable experience for such work. This Commission sails for China early in June.

A very careful consideration was given to the important question of the selection of a construction company to recommend to China. No firm, no individual, had applied for this recommendation, and it is needless to say no such application would have had the least weight. Senator Root, Secretary Lane, Professor Moore, Mr. Seth Low and others of the Red Cross International Relief Board decided that it was only just and right to recommend to the Chinese Government a firm which had done satisfactory work for our Government and whose record had been carefully investigated by the War Department. As the J. G. White Company had met these requirements, and, further, as it had done satisfactory work for the United States Government in the Philippines, thus having obtained experience in Eastern conditions, it was selected for recommendation to the Chinese Government.

One word as to the loan. The loan is to be a Chinese Government $20,000,000 gold loan, bearing interest at the rate of 5% per annum, to be secured by all Government revenues derivable or now derived from Government lands in the conservancy area, and also all the additional revenues which may in the future accrue to the Government as a result of the conservancy work, which shall include revenue for the sale or lease of reclaimed lands as well as special conservancy taxes to be levied by the Government on all lands benefited by the conservancy work and all tolls on the Grand Canal levied within the conservancy area. In case these revenues are not sufficient, the Government further guarantees the payment of interest and principal in full from revenues from other sources. It is estimated 1,000,000 acres will be reclaimed and 9,000,000 acres so improved as to yield two or three crops a year instead of two as in former years; this is a country where every spot of arable land is needed for the production of food supplies. The guarantee appears ample. There are a number of other countries ready to undertake the loan and the work if we decline. China wishes America to undertake both. China has never been known to repudiate a loan. The integrity of her merchants, whose word is as good as their bond, finds its counterpart in the integrity of the Government. The opportunity is given to America to aid China in this great humanitarian undertaking and to do an honest and efficient piece of work without injury to the integrity of that country. This promises, as Dr. Reinsch writes, to be the opening of a new era in Chinese development.

To us who have lived in this new land of plenty it is impossible to realize the sufferings and miseries of famine; even the horrors of war are not comparable with the long-drawn-out physical, mental and moral anguish famines produce.

Picture if you can the sufferings of hundreds of thousands of human beings. Their houses sold for a little food or burned by bits for a little warmth, the farms flooded—water-soaked, the unharvested, rotted grain—these wretched people are driven, a pathetic pilgrimage, to the large cities. Scantily clad, with hunger written on their pallid faces, one sees the man bearing as best he can the emaciated form of some old father or mother; the woman, her wailing baby pressed to a breast that has no nourishment to give it, and her little children clinging to her dress to help their weak and trembling steps. They stop by the way to grub from the muddy earth a few roots or tear from the trees a few handfuls of bark to stay for a moment the pangs of their bitter hunger, no matter what the sufferings that may arise from food that is not food and that serves only to fill the empty, craving stomachs. Occasionally one drops by the roadside. Nature, that fights so hard for human life, gives up. Covering his face, the others leave him there alone, pushing on with weary hearts and feeble bodies, whither they hardly know.

To the miseries of the physical suffering must be added the mental anguish of watching those they love hunger and die. The hands of the children upstretched for food she cannot give, their hungry eyes, their trembling bodies and pitiful cries tear the mother's heart with pain no words can describe. Moral degradation follows. Honest men become desperate, and in their desperation turn to robbery, brigandage and murder. In prison one may have food, and better far die by the swift hand of the executioner than by the slow torture of starvation.

All these terrible sufferings of famine will occur again and again if this preventive work is not done. Like Scrooge, we may look up at that dark, shrouded figure he called "The Ghost of Christmas Yet to Come," and ask, "You are about to show me shadows of the things that have not happened, but will happen in the time before us." And then after this mysterious presence has led us through these scenes of human misery cry out again with Scrooge, "Are these the Shadows of Things that Will be, or are they the Shadows of Things that May be only?"

Ah, Mr. Minister, your Government in the great work it is about to undertake for the people of China has offered to us the opportunity to be of assistance, an opportunity for which we are deeply grateful and that will take us one step nearer to the goal of international brotherhood.

THE ORIENT—CHINA AND JAPAN

PRESENTED TO THE NATIONAL FOREIGN TRADE CONVENTION

BY S. D. WEBB

President China and Japan Trading Co.

The foreign trade of the United States began on February 22, 1784, when the good ship Empress of China, three hundred and sixty tons carpenter's measurement, sailed from New York for Canton to bring back a cargo of tea and other products of the country, in exchange for her own very light outward cargo, consisting mainly of ginseng. There were but a few of the world's markets open to the trade of the new-born Republic. The British navigation acts closed the ports of the mother country and of all her colonies to the ships of the United States, and the East India Company, already the supreme power in Hindostan, grasped at the commercial empire of all Asia. But the newcomers in a field in which Dutch, Portuguese, French and Spanish made but a feeble show of competing with the English, had some important advantages in their favor. For one thing, they could build ships of the highest class of live oak and cedar at a price per ton fifty per cent. lower than any similar vessel could be turned out in the cheapest ports of England, Holland or France. Then there was the business capacity of the merchants of Salem, Boston, New York and Philadelphia which had been developed under the discipline of adversity in colonial times and had as yet but few domestic enterprises to engage its attention. Supplementing and sustaining these, there came in the skill and boldness of the American sailors. No better example could be had of these than the voyage of the Alliance to Canton in 1788. This ship sailing with no charts, and with only a map of the then known world or Mercator's projection, never dropped anchor from the time she left Philadelphia.

The beginnings were sufficiently humble, but before the close of the eighteenth century the trade with Canton formed a larger part of our entire foreign commerce than does our trade with the whole of China to-day. After 1795 the Napoleonic Wars afforded a great opportunity for American shipping, and the only two flags much in evidence in Chinese waters were the English and the American. The English because England was mistress of the seas and the American because neutral America was the friend of all, and, with a short interlude, 1812-14, the enemy of none, and could consequently trade where others could not. Thus, during the first decade of the nineteenth century, Great Britain took about three-fifths of China's exports, while the Americans took a third. By this time the American trade amounted to something over $6,000,000 a year, both in and out—but mostly out. That is to say during the seventeenth and eighteenth centuries what is called the balance of trade was always in China's favor, and this state of things continued well into the nineteenth century. The foreign trader had, accordingly, to find the means of buying his tea and silk, and of providing for heavy disbursements on account of his foreign establishment and his ships—the tax on the latter being as heavy as the traffic could stand. Briefly, the import of goods never sufficed to provide an export fund to complete the transaction with the Chinamen. It has been estimated that during the eighteenth century it never amounted to one-fifth of the sum required, and that during the whole of that century Europe was drained of its silver and poured into China a sum which for the period ending with 1830 could not well be less than $500,000,000.

Up to 1830 the American trade with China was conducted on the basis of a triangular operation. The products of this country were shipped to Europe and with the proceeds in Spanish dollars the ship sailed, practically in ballast, either direct from Europe or from an American port to Canton and there loaded tea for the United States. Up to 1815 a full four-fifths of the export fund for American ships was provided by Spanish dollars in this way, and in the fifteen years from 1816 to 1830 a full two-thirds. The sudden change which took place in the latter year and which enabled American trade at Canton to be financed by bills of exchange in London, was due to the expansion of the opium trade. The Chinese would take opium when they would not take other commodities, and in 1837 it provided with fifty-three per cent., while cotton accounted for twenty-two per cent. of all the imports, English manufactures and tropical spices supplying the remaining twenty-five per cent. In 1837 cotton fabrics were exported from China, and the importation of machine-spun and woven cottons had only just begun. In 1837 the value of the exports of Chinese hand-woven cloth called for by the colonies of Chinese settled in the Malay Archipelago was $500,000, and seventy years later this trade still continued and had attained three times the above-quoted value. About the same time the value of the import of cotton manufactures had reached the sum of $122,500,000, which was thirty-seven per cent. of the value of all the Chinese imports. Up to 1906 the American share in this trade continued to be a growing one and bade fair to rival that of England. As a matter of fact, in the closing years of last century there had been no more remarkable expansion of any department of our commerce than took place in the exports of cotton cloth to China. In 1887 there were imported into Shanghai, of English, Indian and Dutch plain gray and white goods, 11,140,380 pieces; and of American sheetings, drills and jeans, 1,874,274 pieces. By 1897 the American imports had risen to 4,143,971 pieces; that of our competitors figuring for only 9,880,330 pieces, including the new contribution from Japan.

In other words, there had been an increase in quantity of imports into China of American cotton cloth of 121.11 per cent. and a decrease in those from England and India of 13.77 per cent., and from Holland of 7.12 per cent. The

imports of 1897 represented a total of some 165,000,000 yards of American cloth, which by 1899 had increased to 250,000,000 yards. By 1906 China imported 20,250,000 pieces, averaging about 40 yards, of plain cotton fabrics. Of these, fifty-three per cent. came from English mills, forty-two per cent. from American, and three per cent. from Japanese. Fancy cottons, chiefly imitations of more expensive woolen fabrics, were valued at $22,000,000 and came chiefly from England, with the exception of the cotton flannels, which were nearly all American. That our exports of cotton cloth to China in the last few years compared so poorly with those of 1905-06 is largely due to the fact that an exaggerated estimate was placed on the possibilities of the Chinese market at the end of the Russo-Japanese War, which had closed a very important section of that market to business. The sudden jump in the exports of our cotton textiles to China in 1905 to a value of $28,000,000, and in 1906 to one of about $30,000,000, or fully double the value of the years immediately preceding, was thus an abnormal process, and the depression of the following years was primarily due to the necessity of absorbing surplus stocks. But it was also due to the direct competition of Japanese with American fabrics—to the deliberate imitation by Japanese mills of American cloths, marks and brands, and the consequent supplanting of the standard fabrics by cheap and inferior imitations.

As already indicated, as late as 1906 the import of Japanese piece goods into China was a negligible quantity, although for several years before the Japanese mills were competing strongly with those of British India in the yarn market of China. There is probably no more remarkable chapter of industrial and commercial history than that which records the activities of Japan in the field of manufacturing production in the forty years between 1868 and 1908. The statement has been made and it is probably true that when history shall have placed all the great political events of the nineteenth century in their proper perspective, none will bulk larger in the eyes of posterity than the appearance of Commodore Perry's fleet in Japanese waters. "For it initiated a complete revolution in the relations of the West and the East by awakening to a consciousness of its power an Eastern nation which for the first time in history has shown itself able to assimilate in great measure the civilization of the West without entirely surrendering its own, and thus to assert a claim to take rank on a footing of equality with the Great Powers of the West in the arts both of peace and war." Further, the emergence of Japan, its marvelously rapid transformation from a mediæval and feudal into a modern State, equipped with all the material implements of Western civilization, its warlike achievements, both on land and sea, and its less ostentatious but scarcely less substantial achievements in the field of commerce and industry, have for the first time raised the question whether the supremacy of the white races is as indisputable as we have hitherto imagined it to be, or, in other words, whether they can rely upon the continuance of a vested monopoly in the civilization which they have built up during the course of so many laborious centuries. It is the incalculable consequences which the rise of Japan must involve for the human race as a whole that will not improbably secure, among all the great historical dates of the nineteenth century, pre-eminence for the day when Western civilization, in the shape of an American squadron, forcibly broke down the self-imposed isolation of the hermit Empire of Japan.

From the first the United States has had a large share in the foreign trade of Japan. It was not until the elevation of the late emperor to the throne in 1868 that Japan had any foreign commerce worth speaking of, and from that year dates the real development of the Japan that we know. In 1868 the value of Japanese foreign trade did not exceed $13,000,000; forty years later it was $413,000,000—the population, meanwhile, having about trebled, while foreign commerce increased thirty-two fold. The progress made in the last five years has been hardly less remarkable. The total value of the foreign trade of Japan in 1912 was $572,987,059, in which imports from the United States amounted to $63,253,847 and exports to the United States to $84,017,030. These are the Japanese figures and they vary but slightly from those furnished by our own Bureau of Foreign Commerce. They show that the United States took 32 per cent. of Japanese exports and contributed 20.52 per cent. of the imports. The United States is easily the best customer of Japan, China coming next with 21.79 per cent. of the total of Japanese exports, and the United Kingdom figuring as low as 5.65 per cent. British India, from which Japan imports a trifle more than from the United States, buys from Japan only 4.49 per cent. of her total exports. Of the 63 millions of imports from the United States into Japan, more than one-half is accounted for by raw cotton; iron bars, rods, plates, tubes, etc., account for $5,166,000; machinery and engines for $3,442,000; and nails and galvanized wire for $1,655,000. While raw cotton is by far the largest single item of Japanese imports, raw silk heads the list of exports, and of the total coming under this head in 1912 amounting to over $100,000,000 the United States took $59,563,396, or twelve millions more than the preceding year. This is, curiously enough, just about the amount by which Japan increased her purchases of American raw cotton during 1912.

The foreign trade of China showed a less sensational gain during the closing years of last century than that of Japan. But in the present century it has advanced quite as rapidly as that of its more enterprising neighbor, and in 1901 the aggregate of the Chinese exceeded that of the Japanese foreign trade. Considering that China has seven times the population of the Island Empire, a far richer soil and a vastly greater store of undeveloped mineral and agricultural wealth, this is no great achievement. But it must be held to be significant of the tremendous latent possibilities of China as a market for foreign products. In 1901 the net value of the foreign trade of China was Hk.Tls. 437,959,675, while in 1910 it reached a total of Hk.Tls. 843,798,222, or an increase of 94 per cent. The average value of the tael for the latter year being 66 cents, the direct foreign trade of China for 1910 may be stated in our money at $556,906,826. In spite of the demoralizing influence of the Revolution, the foreign trade

of China for 1911 attained a total beyond any previous example, with imports reaching the value of $306,477,563 and exports of $245,269,808—in all Hk.Tls. 848,842,109, the exchange value of the tael being 65 cents in that year. Although reckoned in taels, the foreign trade of China did not increase in 1912; the fact that the average exchange value of the tael was only 65 cents in 1911 against 74 cents in 1912 advances the value of the trade in dollars. Thus the imports for the year figure at $350,091,802 and exports at $274,185,098—a total of $624,276,900, or $48,000,000 more than the foreign trade of Japan proper, and $21,000,000 more than Japanese foreign trade with Formosa and Korea thrown in.

These figures of Chinese trade for 1912 are the more significant because in the words of the Statistical Secretary of the Maritime Customs, perhaps no year in the history of the trade dawned on a gloomier prospect. With the abdication of the Manchu Dynasty, in February, 1912, began a new era for China, happily ushered in by splendid harvests giving food and contentment to an industrious and peace-loving people. How full of promise is that era for an expanding commerce, both internal and external, can best be estimated by the progress made in the past in the face of misfortunes and discouragements which would have disheartened a less patient and persevering people. In the reports of the Maritime Customs for 1898, to single out but one instance, there is recorded the same kind of triumph over adverse conditions which occurred in 1912. The conditions of fourteen years ago are thus described by Mr. F. E. Taylor, the Statistical Secretary:

"Were any proof needed of the vitality of China's foreign trade, the figures for 1898 would supply it. Various parts of the country were disturbed by sporadic rebellions of sufficient gravity to check business; the Yellow River once more burst its banks and flooded enormous tracts; an ominous war cloud during the greater part of the year made importers cautious; the political situation was full of menace; and in September the news from Peking completely disorganized the trade of the northern ports. In spite of these adverse circumstances, the value of the import trade surpassed all previous records, while the value of the export trade exceeded that of every past year, with the exception of 1897. The total volume of the trade was valued at Hk.Tls. 368,616,483 ($255,819,839), which is the highest on record."

Certainly not the least promising of the indications that China has entered upon a new era is to be found in the readiness of the Government to make a serious effort to render impossible, once and for all, the devastating floods of the Hwai and Yellow Rivers. This is a work whose initiative must be placed to the credit of the American Red Cross Society, which, during the last six years, has expended hundreds of thousands of dollars for famine relief in China, not including large cargoes of food and their transportation. The charter of the Society requires not only that it should mitigate the suffering caused by famine and other great calamities, but imposes upon it the duty "to devise and carry on measures for preventing the same." Accordingly, in 1911 the officers of the American Red Cross, with the approval of the State Department, decided to offer to the Chinese Government an expert engineer on river conservancy to make a thorough examination of the flood and famine region with a view to designing some scheme by means of which the flood level could be lowered, the rivers properly restrained and the swamps and shallow lakes drained and made available for agriculture. The disturbed state of the country somewhat delayed the completion of the work whose supervision had been confided to Mr. Charles Davis Jameson, an American civil engineer of high standing who had spent sixteen years in China. On the basis of his report the Chinese Government declared its readiness to grant to the American Red Cross exclusive authority to make arrangements for the Hwai River conservancy work, and to guarantee a loan of $20,000,000 to start it. Being naturally unable to accept the immediate responsibility for the conduct of such an enterprise, the Red Cross named the Engineering Corporation of J. G. White & Company to take up with the Chinese Government the terms and conditions upon which the work could be undertaken and carried to completion.

The Government at Washington has shown no such hesitation in backing this enterprise with all needed support as it displayed in connection with the participation of American bankers in the sextuple loan. There could certainly be no more promising beginning to the rehabilitation of American financial enterprise in China than that supplied by the readiness of the J. G. White Corporation to expend millions, carefully, honestly and intelligently, for the enrichment of the country, and the elevation of its people in the scale of national well-being. Though less humanitarian in its aspect, the enterprise of the Standard Oil Company is not less calculated to advance American prestige in China. The agreement which the company has made with the Government at Peking amounts to a virtual partnership for the joint development of the oil possessions of the Republic. The contract is one almost unique in the history of commerce, and it is one calculated to supply a leverage for the development of the material resources of China that must add enormously to the potential wealth of the Republic. Since the most pressing need of China to-day is that of industrial organization, it is of obvious advantage that there should be furnished an object lesson on a scale of sufficient magnitude to attract attention and according to a standard of efficiency which may provoke imitation. The Standard Oil Company have succeeded in supplying the Chinese with a smokeless oil lamp at a nominal cost, yielding several hours light at an expenditure within reach of the poorest. To that extent they have lengthened the Chinese working day and proportionately increased the output of the cottage industries. It is equally within the range of practical achievement that the sinking of oil wells with the construction of their accompanying pipe lines, should promote the creation of great industrial centers and a diversified system of manufacturing.

A highly satisfactory indication of the enlightened policy of the new Government of China is to be found in the Mining Regulations which have just been promulgated. As far back as the Mackay Treaty, China agreed to provide

rules for the exploitation of her mineral wealth, but up till now an arrangement calculated to meet the approval both of the treaty powers and the Government of Peking has been found impracticable. Under the new mining law the whole country is divided into eight districts, in each of which there is to be a Bureau of Mining Supervision, directly responsible to the Ministry, so that there will be no divided responsibility. Foreigners will be permitted to hold equal shares with Chinese in any mining enterprise, and in case the Chinese fail to take up their allotted shares the foreigners interested may subscribe the whole share capital. The Government is engaging foreign mining experts of the highest professional standing as advisors, and these will act also in the capacity of engineers-in-chief and consulting engineers as occasion may arise. Under the old conditions the owner of lands under which minerals were lying untouched was entitled to make a claim to the minerals as his property. Under the new mining law it is clearly laid down that minerals are owned by the State, and, this being the case, they may be exploited by anybody, whether the owner of the land or not, who obtains due sanction and authorization from the Government. There has been a very considerable enlargement of mining areas and a radical reduction in the royalty, which has been reduced to a maximum of 1½% of the output, while the special mineral tax, levied on lands over mines, has also been greatly reduced.

Coal and iron rank easily first in the mineral wealth of China. Competent authorities have estimated that the anthracite resources of the Province of Shansi and adjacent territories are equal to those of Pennsylvania, and while no estimate is possible of the total amount of bituminous coal available, it is safe to say that this is also comparable to the deposits of the United States. A similar remark applies to the supply of iron ore, whose utilization on a modern scale has only begun. Of copper and zinc and the precious metals there is an appreciable supply awaiting merely the introduction of improved methods of working. All this may suggest the possibility of China being at no distant date sufficient unto herself in the production of iron and steel and their manufactures. But, meanwhile, there must be a long introductory period during which China will have to be equipped with the appliances of modern production and the conveniences of modern civilization. Whether the United States is to contribute its fair share of these must depend a good deal on how freely American capital can be induced to flow into Chinese investments, foremost among which are, of course, the investments in railroad construction. It would seem as if this were about to attain a pace in China suggesting the boom times of our own history. At the end of 1912 China had less than 6,000 miles of railroad in operation, with some 2,000 odd miles under construction. Considering the area and the population of the country, this was a merely rudimentary installment of the facilities of transportation. In the six months ending with last March more railway concessions were granted than during the last ten years. In February Great Britain succeeded in acquiring the right to build a railroad of about 760 miles in length from Shanghai to Singyifu, while France almost simultaneously secured a concession to construct a line of about 720 miles from Kweichow to Chengtu. Then followed another French concession to build a railway 1,100 miles long from Peihai to Chunching, while at the same time Great Britain obtained the right to build a railway of about one thousand miles from Nanking to Changsha. These concessions are referred to as given to the country whose nationals advanced the money and consequently supply the expert superintendence of construction as well as the materials. As a matter of fact, the diplomatic representatives of both Great Britain and France have taken an active share in the negotiations of which these concessions are the outcome. On the side of the United States there has been neither diplomatic participation nor financial bidding for any rights of construction still to be allotted. It remains to be seen whether in the immediate future American enterprise is to assert its claim to a share in the larger developments of Chinese transportation and the equipment with public service activities of the great Chinese cities.

COTTON GOODS EXPORT TRADE

ADDRESS DELIVERED AT THE MEETING OF THE AMERICAN COTTON MANUFACTURERS' ASSOCIATION, BY RALPH M. ODELL

Commercial Agent United States Department of Commerce, Washington

There is unquestionably a sound reason for an optimistic view of the future of American cotton goods export trade. During the calendar year 1913 the total exports of all kinds of cotton manufactures from the United States amounted in value to over $55,000,000 or more than double the exports in the year 1908. The loss of a considerable trade in China in the years immediately following 1905 and 1906 was very seriously felt by our mills, but the opening up of the market in the Philippines following a readjustment of the tariff providing for the free entry of American goods enabled us to recover a large part of this loss and it is worthy of note that during the past six years our exports of piece goods have steadily grown, amounting in value to over $32,000,000 in the calendar year 1913 as compared with only $17,000,000 in 1908, an increase of 90 per cent. It is a fact that is perhaps not generally known that no other country in the world, with the possible exception of Japan, has equalled this record of progress. My investigations of foreign markets during the past few years, under the direction of the Department of Commerce, have

led to the firm conviction that there are enormous possibilities for a further expansion of this trade if we will seriously set ourselves to the task and widen the range of fabrics which we offer to the foreign buyer in accordance with the requirements and conditions of the markets.

As many of the members of this Association are aware, I have only recently returned from a visit to the Levant, Red Sea district, East Africa and South Africa, where, during a period of eighteen months, I had the opportunity of observing at first hand the conditions prevailing in those markets and the possibilities which they offer for the sale of American cotton goods. The Red Sea and East Africa have been for years one of the principal outlets for American gray goods, and during the year 1913 we exported to those markets nearly 40,000,000 yards of this class of cotton manufactures out of our total exports of piece goods to the amount of 213,000,000 yards. Nearly 20 per cent. of our exports of gray goods, therefore, find their way to these districts. In Arabia, Abyssinia, British and German East Africa and Uganda we furnish more gray cloth than all other countries combined. The extent to which we dominate the trade in this class of goods is evidenced by the fact that "Americani" is the word used by most of the natives to designate unbleached sheetings from whatever country they may come.

The success of our efforts and the rapid growth of our trade in the Red Sea district and East Africa is a striking indication of the possibilities which the foreign field offers as an outlet for the production of our mills, a production which it cannot be denied is constantly exceeding the requirements of the domestic market. Our Red Sea trade suffered a decline last year because of the activities of Austrian manufacturers who, finding the demand in the Balkan States greatly curtailed owing to the war, offered their goods at low prices in Aden in order to keep their mills running. This was a temporary condition, however, and we may expect to see our exports to the Red Sea market revive during the present year. In East Africa we have also found a splendid outlet for our cotton goods and our trade there has more than doubled in the past five years. Throughout these markets our brands are well established and I usually found that the natives preferred American gray goods to all others. It appears to be a market based on quality rather than price and the superiority of the fabrics we offer has been largely responsible for our success in securing over 50 per cent. of the gray goods trade. Italian manufacturers are at present making a strong bid for a larger share of the trade by improving the quality of their goods, which were formerly too heavily sized to suit the native taste, establishing selling agencies in the interior and by providing direct transportation facilities. The imports of Italian gray goods into British East Africa increased in value from $64,000 in 1912 to $211,000 in 1913.

The market is well worth the serious attention of American manufacturers because the steady development of the resources of East Africa, the progress which the natives are making toward civilization and the building of railways to sections that have heretofore been lacking in means of transportation for carrying the products of the country to the seaboard and for the distribution of goods imported from abroad is causing a rapid commercial expansion and cotton goods constitutes the largest single item in the trade. It is also a significant fact that the consumption of bleached and colored goods is growing rapidly, particularly in the more settled areas, and if we expect to continue to be a factor in the trade of the country we must set about to broaden the line of goods which we can supply and not confine ourselves to gray goods alone.

In addition to furnishing lines of goods which we do not now supply, there are three suggestions which may be made for maintaining and increasing our trade in East Africa. First, we must keep pace with the progress of the country by providing means for introducing our goods in the interior districts where the natives are just beginning to buy cotton goods in appreciable quantities. The Italians and Germans are in the forefront of the commercial development that is taking place in Africa, and this accounts in a large measure for the increasing share of the trade which they have been able to secure. Second, we must improve our methods of packing and marking our bales which go to these markets. I frequently observed bales of American cotton goods being unloaded from steamers in the ports on which the burlap ends were torn almost entirely off, the binding ropes broken and the identification marks indistinct and blurred. Our goods are subjected to considerable handling before they reach East Africa because they must be transshipped once and sometimes twice en route. Moreover, there are no piers in East African ports and the bales must be transferred from the steamers to small boats, often in a very hurried and careless manner. Italian, German and English cotton goods are more securely packed and arrive in much better condition than those from our country. I noticed that the Germans use broad iron bands, painted to prevent rust, for strapping on their bales instead of ropes and large letters and figures for identification. In the third place, it is highly important in these far-away markets that we maintain the quality of our goods. The importers and dealers who have been buying a certain brand of cloth for many years require that the quality be the same at all times, and I am glad to report that I heard very few criticisms on this score.

South Africa, where I spent several months, is a very interesting and important field for the development of our cotton goods trade, but it is a market to which we have heretofore given scant attention. The imports of all kinds of cotton manufactures, including apparel which is mainly made of cotton, amount to over $30,000,000 a year, of which we supply less than $500,000. Of piece goods imported to the value of eight and a half million dollars we furnish less than $100,000. The kinds of goods sold in South Africa are radically different from those in demand in East Africa. Gray goods are not much in demand and the most important lines of piece goods sold are shirting prints, solid color goods such as cotton flannelets, Turkey-red calico, denims, blue drills, cashmerettes, sateens and colored nainsook; bleached goods and woven colored goods consisting mainly of Oxford shirtings, zephyrs, ginghams, striped drills and fancy dress goods. The most important line is prints and there is every reason to believe that American prints could be successfully introduced if they conformed in width and finish to those in demand. The principal widths are 28, 30 and 32 inches, and England, Germany and Italy supply the bulk of the goods sold. The rapid development of South Africa is causing a considerable expansion in the trade and the use of cotton goods among the 7,000.000 natives in the country is increasing year by year. There are a number of large, well-established firms in the country who might be induced to handle American cotton goods if they were properly brought to their attention. There is a 3 per cent. preference in the tariff in favor of England, but in spite of this European countries have captured 20 per cent. of the cotton goods trade. In the total trade of South Africa the United States ranks after England, our annual sales being valued at nearly $16,000,000. The freight rates from New York to South African ports are practically the same as the rates from England and Europe. The success of Germany and Italy in the cotton goods trade has been due to the fact that the manufacturers in those countries send out numerous travelers once or twice a year; they secure capable resident agents, get up a large number of attractive samples not only for their own travelers but for the use of the importer or wholesaler in selling to the retail trade; they extend two to four months' credit and provide every facility for carrying on the trade. In all of my travels

during the past three years in the markets of Europe, the Levant and Africa, I never met but two American salesmen who were selling cotton goods, while I was constantly encountering the representatives of English and Continental cotton goods firms who were showing their samples and securing orders. The question which the importers frequently asked me was: "How can we buy American cotton goods?" There seems to be a general ignorance abroad regarding the kinds of goods we are able to furnish and the proper manner in which to purchase them. Trade in all lines has a tendency to follow the line of least resistance, and it is only natural that our competitors, who send out their own salesmen or have their resident agents on the ground, should secure the bulk of the trade. We cannot hope to compete successfully with these methods until we make the selling of goods to the foreign buyer a permanent part of our business, instead of attempting to interest him by long distance correspondence. My investigations of the cotton goods markets abroad during the past three years have led to the firm conviction that the expansion of our export trade is more dependent on serious, intelligent and organized methods of selling and distribution than on any other one factor. Many of the lines which we now make could, with very slight changes in construction or finish, be sold in certain foreign countries if we would apply the same amount of effort which we use in the domestic field. Other lines which we do not manufacture but which are consumed in large quantities abroad could be made at competitive prices if we would devote our energies to the task. Foreign trade is not a matter that can be hurried; it requires a serious study of the requirements of the people, an earnest determination to cater to those requirements and the inauguration of a well-organized selling system. In markets where our goods are almost, if not entirely, unknown we must be content in the beginning to accept small orders and to grant the same concessions as our competitors in matters of credit, and the width, design, finish and packing of the cloth. The trade in Africa as in many other parts of the world, particularly in agricultural countries, is on a credit basis. The general custom is two to four months, and our sales of cotton goods are bound to be restricted as long as we are unable or unwilling to grant similar terms. It is not difficult in these days to ascertain the financial standing of an importer in any part of the world, and I have found reliable houses in every country that I have visited.

The world's trade in cotton manufactures, as may be seen from the table accompanying this paper, amounts to the huge sum of approximately $1,200,000,000 annually. The United States, which has 22 per cent. of the spindles and supplies two-thirds of the raw material, has less than 5 per cent. of this trade. The most important markets for cotton goods are India, China, Turkey, the Levant, South America and Africa. American cotton goods go mainly to Canada, the Philippines, China, the West Indies, South America, India, the Red Sea district and East Africa. The markets in Turkey, Egypt and South Africa have hardly been touched by us, while our share in the enormous trade of India and South America is not nearly as large as it should be. Africa, with a population of 170,000,000, or more than that of North and South America combined, promises to be one of the largest markets for cotton goods in the world. The fact that there is no cotton industry on the entire Continent, that climatic conditions make cotton the principal material for clothing, that the rich natural resources of the country are gradually being developed, thus enhancing the purchasing power of the natives, and that the rapid building of railways is providing transportation facilities to the interior, make it a field well worth the attention of American cotton manufacturers.

The situation of the American cotton industry as regards the export trade is one that calls for a co-operative and well-organized campaign rather than half-hearted and spasmodic attempts to sell to the foreign buyer. If a number of cotton goods manufacturers or exporters would combine to thoroughly canvass the important markets of the world, our trade would undoubtedly increase, and instead of selling a few goods here and there we would have a steady flow of exports that would grow with the prosperity of the foreign countries and would be less affected by violent fluctuations than our home trade. Our attitude of regarding the markets abroad as a dumping ground for goods which we cannot sell at home is slowly but steadily undergoing a transformation as we begin more and more to face the fact that the production of our mills exceeds a consumptive capacity of the domestic market.

It is even advisable in some cases to sell our cotton goods abroad on a smaller margin of profit than at home if we expect to avoid the recurring periods of depression and stress which have characterized the industry in the past few years. We need mills that will be devoted particularly to the manufacture of goods for export as a permanent undertaking; we need American salesmen who will carefully canvass the foreign field; we must face the fact that we will have to arrange reasonable credit where it is the rule and where the standing of the importer justifies it, and we must be prepared, in the case of printed and colored goods, to make up and pack assortments in accordance with the requirements of the consumer. The American manufacturer in many respects is not surpassed by any in the world, and in many lines of cotton goods we can compete with England and Europe. Heretofore we have exported less than 10 per cent. of our cotton manufactures as compared with 80 per cent. of the products of English mills which go to foreign markets. We have been too much concerned with the opportunities in our own country and have not felt the necessity of actively seeking an outlet abroad for our goods, but we are gradually beginning to realize that the continued neglect of the foreign field will increase the difficulty of entering the markets after they have been taken over by our competitors.

We cannot hope to use the foreign market in times when we need it most and neglect it when trade is active at home. It must be carefully cultivated and developed by constant study and attention, by ascertaining the requirements of the trade and carefully catering to those requirements, and by providing the facilities which will remove all obstacles to the increase of the trade. We should not be content to sell the foreigner only such goods as we cannot sell at home, but be in a position to furnish what he wants to buy. This policy backed by thorough knowledge of the field, faith, courage and patience will ultimately bring success.

TABLE

The World's Trade in Cotton Manufactures and Rank of the Principal Countries in Cotton Spindles.

Countries	Year	Exports of Cotton Manufactures	Per Cent	Spindles	Per Cent
United Kingdom	1913	$619,051,990	52.5	55,653,000	40.3
Germany	1913	136,761,200	11.6	11,186,000	8.1
France	1913	75,275,600	6.4	7,400,000	5.4
United States[1]	1913	55,536,267	4.7	31,520,000	22.8
Switzerland	1912	52,288,221	4.4	1,398,000	1.0
Japan	1912	45,901,157	3.8	2,300,000	1.7
India[2]	1913	39,570,053	3.4	6,084,000	4.4
Italy	1912	37,061,062	3.1	4,600,000	3.3
Austria Hungary	1913	35,431,117	3.0	4,909,000	3.5
Netherlands	1912	32,145,964	2.7	479,000	.3
Belgium	1912	20,944,348	1.8	1,492,000	1.1
Russia	1912	20,022,626	1.7	9,213,000	6.7
Spain	1912	10,631,629	.9	2,000,000	1.4
Total		$1,180,622,134	100.0	[3]138,234,000	100.0

[1]Calendar year.
[2]Year ending March 31st, 1913; preliminary data.
[3]All other countries: 5,164,000 spindles.

CONDITIONS IN CHINA IN 1914 AS VIEWED FROM PEKING

BY THE HONORABLE W. W. ROCKHILL

*MONOGRAPH OF THE ASIATIC INSTITUTE**

An attempt to give some impartial, connected view of the present general situation in China seems needed at the present time, as the various items published in the European and American press refer usually to local incidents, which, interesting though they may be, do not bear an important relation, if they have any at all, to the general condition and trend of affairs in this vast and loosely knit state. Furthermore, public opinion abroad concerning China is naturally and inevitably affected, not only by the economic interests which each country has, or is seeking to develop there, but also by the general political interests of the various groups of European powers which react on the policy they follow in Chnia.†

A very brief review of the most salient events in the history of China during the last twenty years is necessary for a correct appreciation of the difficulties of the present situation.

In 1895 occurred the war between China and Japan which disclosed, not only to the world at large, but to China herself, the utter inefficiency of her military organization, the inadequacy of her financial resources under the methods in vogue, the weakness of the central government, and the ease with which the empire could be, if not at once disrupted, at least promptly shorn of her outlying, semi-independent dependencies. Japan imposed upon China the heaviest indemnity (Tls. 230,000,000) that she had till then had to pay, laid the foundation of her present foreign indebtedness and hastened the acute stage of the chronic monetary troubles from which she has never been quite free, and which have since then steadily increased in intensity until they have reached the present critical stage.

The events which took place during the five years which supervened between the Sino-Japanese war and the Boxer uprising brought no improvement in the administrative and economic conditions of the country, while the policy of the various foreign powers who sought to secure strategical bases on the sea coast, spheres of special interest in the interior for the free development of their trade and the better protection of their capital, concessions for railway lines throughout the length and breadth of the empire, carrying with them vast mining and other valuable rights, added to the grave apprehension of the Chinese government and of the very small portion of the people who gave the matter thought and who were awakening to a realization, not only of the necessity of promptly modernizing their methods, their military, and especially their financial and fiscal systems, but also to the extraordinary difficulties which stood in the way of accomplishing the task in time to preserve the independence, if not the integrity, of the empire.

A few well-meaning reformers, literati, like K'ang Yu-wei and his friends for the most part, with a smattering of Western learning, were not slow in offering panaceas guaranteed to reform and put vigor in the body politic and to insure its rapid and successful transformation, but though the ends they wished to attain were recognized as unquestionably beneficial even by the most biased minds, the methods advocated were too rapid and radical for a frightened, but not yet fully awakened court and officialdom, and so the reformers were hastily and cruelly put away, and the old time-tried methods of slow change and makeshift expedients were adhered to more pertinaciously than ever, while government and people noting the rapid, steady rise of the tide of foreign influence saw the futility of their efforts to stay it.

This feeling of unrest and insecurity among people and rulers culminated in 1900 with the Boxer uprising, which ended with profound humiliation for China and the imposition of an unreasonable indemnity beyond the country's power to pay under existing conditions, and which at one stroke raised its foreign annual liabilities to half the revenue of the state. This had to be levied from the current revenue of the state, or from the savings of the people; as the former's revenue was already insufficient and it was carrying along as best it could a yearly deficit, new taxation was imposed on the people, to the increase of their sufferings and of the unpopularity of the Manchu dynasty, which, rightly or wrongly, was held responsible for all the troubles of the time.

Before even the resumption of normal conditions after the Boxer troubles, in the early part of 1901, the government created a commission on administrative reforms, and a little later they were urged to further action, as much in the hope that the foreign powers would relax their tightening clutch and thus afford them a breathing spell while they tried to put their house in order, as by the reports of growing discontent, spread and magnified throughout the country by a new-born. mostly hostile, badly informed and absolutely uncontrollable native press, which quickly gained such influence that it was able to awaken in a very few years a spirit of nationalism, if not of true patriotism, throughout the length and breadth of the empire, which shortly took shape in a nationalist, or "Rights Recovery" party, which became the "Young China" party of a few years later.

Notwithstanding the undoubted realization of the ever increasing peril resulting in particular from lamentably bad but corrigible financial and monetary conditions, re-

†Western public opinion is further misled by a natural predisposition to judge the political situation in China according to Western constitutional or political conceptions.

form of the fiscal and currency systems which should have been the cornerstone of the whole fabric of reform, never got much beyond the theoretical stage, in spite of the creation of a national bank and a central mint, and the issuance of a standard silver coin. The reason for this apparent inexplicable misdirection of energy is found in the immensity of the task which these reforms would impose upon any Chinese government under the most favorable conditions imaginable. If the Manchu government had been strong, trusted by the people, and particularly with complete financial independence, and without any extraneous pressure constantly impeding their liberty of action, they might, in time, have restored the finances to a fairly satisfactory condition, notwithstanding the vast vested interests which would be very prejudicially affected by such reforms, and that by means well understood and often practiced during the long centuries of Chinese history; but, under existing circumstances, with a government in the last stages of anaemia, the task was hopeless and impossible from the start, and makeshifts continued to be the only means the state could use to carry along its ever-growing financial burden.

The urgent necessity of modernizing the state and the people in such ways as were possible being accepted, however, by the government, commissions on administrative, judicial, educational, military and monetary reforms were created, encouragement was given to education abroad, Manchus and Chinese were told to intermarry, Chinese women to no longer bind their feet, and other changes of a like nature were decreed; but as the immensity of the task undertaken became more apparent, the weakness of China in every part of her political and social structure better realized, these, and other commendable but unessential reforms gave no satisfaction, and the clamor of the emboldened idealists, the exacting Nationalists, the foreign educated youths, and the journalists, grew louder, the threats of anarchists (in the autumn of 1905 they threw their first bomb in the railway station of Peking) more terrifying, and all urged that the pace of reform be forced. This led the government, in 1905, to announce their intention of introducing representative government, and in 1906 to make the promise of a constitution, followed, in 1908, by the promulgation of a detailed general program of reforms, the carrying out of which by 1917 (later, in 1910, forced thereto by the voice of the newly convened National Assembly, this date was changed to 1913) was to be the proclamation of a constitution and the opening of a National Parliament. But as the financial embarrassments of the state continued to grow, and the general economic condition of the country became more and more unsettled, as larger and larger concessions to, and loans from, foreigners were made, and as the practical loss of Manchuria through the Russo-Japanese war became better realized, and numerous other portents of seeming impending dissolution rose before the frightened eyes of those who watched or took part in events, every measure of relief suggested or put in force by the government under the provisions of their vast program, became but fuel for the fire which it seemed must soon break out; reform proved but a new means of adding to the expenses of government, of precipitating revolution, and of hastening the overthrow of the dynasty.

The opening of Provisional Assemblies (*Tsu-i-chu*) in 1907 hastened the collapse, which was further accelerated by the action of the National Assembly (*Tsu-chêng yüan*) which met in 1910, when the last semblance of real power promptly passed out of the hands of the throne on which now sat an infant Emperor supported only by a weak and inexperienced Regent. Subsequent events, culminating on February 12, 1912, in the abdication of the Emperor, when he granted the nation "a republican form of government," commanded the Premier, Yüan Shih-k'ai, "to organize with full powers a provisional republican government and to confer with the republican army as to the method of union, thus assuring peace to the people and tranquility to the Empire," and ordered all officials "to continue to discharge their duties," came in logical sequence and according to the regular traditional forms of China. On February 15th, Yüan Shih-k'ai was unanimously elected by the National Assembly sitting at Nanking Provisional President of the Republic of China, and a National Council (*Ts'an-i yüan*) created, to be dissolved on the convocation of a National Assembly which would inherit its powers. The National Council was formally opened on April 29th of the same year.

The program of reforms begun by the Empire some years previously had already badly dislocated the administrative machinery of the country; new functionaries, often too young and inexperienced, and all imperfectly, or not at all, conversant with their duties, had perforce been introduced into every branch of the government service, so when the Empire fell and the older officials had been driven from office (the American doctrine of "to the victors belong the spoils" finding special favor with the Young China republicans), chaos reigned, and had it not been for the strong common sense, or stolidity, of the Chinese people, the revolution of 1911 might have been attended with the same fearful cruelties and bloodshed which have so often marked such upheavals in China. As it was, the destructive work of the revolutionists was accomplished without any great opposition, the people accepting it, with no particular enthusiasm perhaps, in the hope that a new government, no matter what its name, would bring about an amelioration in their condition which had been steadily growing worse of late years, solely through the fault of the Manchus, they had been told.

With the collapse of the old machinery of government and the absence of any adequate, let alone efficient, one to take its place, not only did lawlessness of every kind spread throughout the country, but the collection of revenue immediately ceased, due also in part to the pledge given by the Provisional Government of Nanking that most of the old taxes would be remitted, in part to an impression that the republican form of government carried with it exemption from all taxation. In the general *débâcle* the Maritime Customs service alone continued to function with perfect regularity in every locality of China in which it had an office, whether that locality were under

the actual control of the Peking government or had passed into the hands of the revolutionists. T o great stress cannot be laid on the importance of this fact; if the Maritime Customs had broken down the situation of China would certainly have become much worse than it did.

With empty exchequers the Peking and Nanking governments had recourse to short loans, to the issue of short-term bonds, of short term Treasury bills, "Military notes" and the like, all at absolutely ruinous rates, while many millions were withdrawn from circulation by the business world and deposited for safekeeping in foreign banks at the treaty ports. The provinces followed suit; within a year some two hundred millions of dollars of paper money were circulating, often at a discount of from 30 to 40 per cent.

There cannot be the least doubt that it was the hope of practically the whole of China, with the exception, of course, of the numerically small but very active radical and revolutionary parties, that the period of strife was ended when Yüan became President and the National Council opened its sittings, and that, the destructive work of the revolution being ended, the constructive work, the raising of the country out of the dangerous plight it stood in, would be promptly begun. But the same indecision which marked the whole course of the revolution was again revealed, and the complete unpreparedness of the country to successfully grapple with any plan of co-ordinated reconstruction, except perhaps on well-approved Chinese lines, was soon made manifest. The only point on which the National Council could agree was that it was essential that it should control the destinies of the state, and that the man who had only a few months before been unanimously chosen to fill the office of President because "he, more than anyone else, had brought about the union of the North and South," and because "the whole nation looked to his long political experience and constructive ability for the consolidation of its interests," should be deprived of all real power to do so.

For ten months Yüan bore with extraordinary patience the constant remissness of the self-elected, hopelessly inefficient members of the Council, with its squabbles and its obstructive methods, aiming solely to impede his action and curtail his authority. During this time he managed, so far as within him lay, to conduct the affairs of the country and to increase the confidence of the people at large, and especially of the moneyed classes and commercial bodies, in his ability and set determination to serve their best interests by every means at his command, but without being able to restore order or in any way improve conditions, especially financial ones which grew steadily more involved, helped on by the extraordinary inefficiency of the Provincial Assemblies and their persistent efforts to secure practical autonomy for their provinces and refusal to contribute anything to the support of the central government.

The Advisory Council having finally passed in September a bill for the election of a National Parliament, in December, 1912, elections were held (with the most notorious irregularity), returning a majority of the Kuo-min-tang the Young China Nationalists, the enemies of the Provisional President and of all strong centralized government, and on April 8, 1913, it was opened in Peking.*

The Parliament, mainly composed of very young, western-educated idealists who knew nothing of China and were still intoxicated with the political and social theories they had heard of but very imperfectly understood in the schools from which they had but recently come, together with a certain number of the old type of Chinese who knew nothing but the China of the past, essayed to carry on the methods of the Advisory Council and to prevent Yüan establishing more firmly his power in the country by means of the loan he had been seeking to negotiate for the last year with the so-called "Six Powers Group." Yüan promptly concluded the loan without reference to Parliament, and without heed to the threats of revolt of the Southern faction; he was determined at any cost not to compromise with those who would bring about the disruption of the renascent state, or to let power pass into the hands either of the doctrinaires or of the rapacious parliamentary extremists and provincial wire-pullers, and he sternly held his paramount and bounden duty to be the protection of the territory and the people against license and all violent factions.

Then they sought to overthrow him by an armed revolt, and in the middle of July the uprising "to chastise Yüan" occurred. By the end of August it had collapsed, the Southern forces had melted away and their leaders had fled abroad; neither the merchant classes and their powerful organizations nor the people had given it any support in men or money, all realizing, it would seem, that the restoration of peace and prosperity in China could only be brought about by Yüan Shih-k'ai and the methods he advocated.

The National Parliament showed the same absolute incapacity for all constructive work, the same lack of the most elementary public spirit and true patriotism as the Advisory Council, but the sentiment of practically the whole country, certainly of the whole business world, demanding that, constitution or no constitution, it mattered very little which, an end must be put to the provisional character of the government and the work of reconstruction finally begun. On October 6th Yüan Shih-k'ai was elected President of the Republic for a period of five years, and four days later he was inaugurated.

The interminable fight between the President and the hopelessly inefficient and hostile politicians in Parliament began anew, but the urgency for the former to perform his supreme duty to the people was too great, the requirements of the general situation too obvious, for him to hesitate in taking effective action to restore law and order, regardless of political ideals. On November 4th the Kuo-min-tang, which had constantly advocated measures which could have but one result, the disruption of the country, and which, to carry them out, had caused the rebellion of

*The indifference of the Chinese population to politics was well shown in these elections. It is said that in Shanghai, for instance, the stronghold of western-cultured Chinese, out of 51.042 registered primary electors in a population of considerably over half a million, only 13.895 cast their votes.

the preceding summer and was a standing menace to the restoration of order, was dissolved, and the Parliament, purged of all members belonging to the proscribed party (over four hundred in number), stood adjourned till the vacancies could be filled and a *quorum* secured. An Administrative Advisory Conference of seventy-one members, representing the provinces and the various branches of the central government, was created by the President to assist him in the discharge of his duties till Parliament met again.

The Conference was opened on December 15th, when once again the President took occasion to reiterate his political creed and to call attention to the vital needs of the country. Two months before, on the opening of Parliament, he had said that he believed in the introduction of such reforms as would make for public enlightenment. "At the same time I have preferred conservative to extreme measures for the reason that the fate of this state and people are not to be staked on a single hazard of the dice, and that immemorial traditions and precepts must not be swept lightly into oblivion." Now he told the Conference: "The Republic has now existed for two years, and during this period principles and laws have been dragged in the dust, while morality, self-restraint and righteousness have been swept into oblivion. Some nations in this world owe their greatness to military efficiency, others to trade or industry; when we turn to China her state differs scarcely from the brute creation. How can we expect a nation reduced to this condition to escape the fate of dismemberment at the hands of others? Thus it behooves us to desist from running after high-sounding titles and to start from the very beginning in the task of practical construction." (See for extracts *The London Times,* January 10, 1914.)

It would prove interesting to quote the whole of this remarkable address on the rights and duties of government and people and the President's views on reform, but it would require too much space; I confine myself to citing his peroration:

"When our finances are under alien supervision and our territories apportioned into spheres of influence, the fate of Annam and Korea will be upon us and it will be too late for repentance. Thus the Provisional Constitution has impeded and embarrassed us in every direction. When the Government was transferred north from Nanking amendments were suggested in that instrument, but we were accused of preparing the ground for a second revolution. It did not then occur to me to guess what was afoot, but to-day I realize that no fate could be too severe a penalty for the rebels. . . .

"The theories of the schools are not a sufficient foundation for national prosperity; men and money are required in conjunction before results can be achieved. It depends on you, gentlemen, to display your patriotism, and in your zeal for the salvation of the country to sacrifice everything in furthering the cause of progress. The future of China rests with you."

With the establishment of the Administrative Conference began the work of arresting further disintegration and of breaking down the political cliques which sought to rule through the various so-called provincial representative bodies which they had found it extremely easy to pack with their partisans. This work was pushed on with vigor, the President rightly holding that *"salus reipublicae suprema lex."*

In December the Military and Civil Governors of the provinces petitioned the President to dissolve the Parliament and not to fill the vacancies by calling up the alternate members, who, having been as irregularly elected as those previously expelled, and belonging to the same political parties, were as worthless and self-seeking as they. Furthermore, the representation was too large, there was "much more talk than work." The Parliament was unwieldy and "had become a curse to the country." "The Government had no rules to follow, the people no laws to obey, the state of the country was more precarious than in the past." "We are now surrounded by the foreign powers and the country is in a state of bankruptcy. This is not a time for discussion of theories; if we cannot manage our own affairs there will soon be others who will." This petition having been referred to the Administrative Conference it unanimously approved its conclusions, and on January 12th last the Parliament was dissolved by proclamation, the President again pledging himself "to convene a good and efficient Parliament" as soon as the Parliamentary Organization Act could be remodelled.

There are many who think that the President should not have dissolved Parliament but should have kept this "Rump" at Peking and filled the vacancies caused by the expulsion of the Kuo-min-tang by members chosen by himself, if necessary, to make it workable; that the semblance, at least, of a Parliament might have been retained. This view misjudges absolutely, in my opinion, the declared object of Yüan Shih-k'ai, which was to put an end to a type of Parliament which, through the mistakes of the framers of the Provisional Constitution of Nanking and the apathy of the great mass of the voting population had been foisted on the country by the political wire-pullers, and was swiftly dragging it to its ruin. He sought, not to further discredit representative government, but to insure its maintenance and enhance the respect of the nation for it. The same reasons have guided him in his decision to dissolve the provincial representative bodies. His action can but be commended, as dictated by the highest form of patriotism, though possibly fraught with great danger to himself.

With this we may consider the first act of the Revolution of 1911 practically at an end; it had founded a government, republican in form, but had shown itself absolutely incompetent to organize any machinery which could prove workable under existing conditions. The work of supplying this was now to begin.

On February 3d the local self-governing boards throughout the provinces (*Tsu-chih kung-so*) were, for the reasons previously stated, dissolved. They also had not only failed to fulfill the purpose for which they had been designed, but had over-stepped their authority, usurped finan-

cial and judicial authority, opposed the levying of regularly established taxes, or created and appropriated to their own uses new ones, interfered with the operation of the laws, and otherwise obstructed the reorganization of a regular, general administration of the country. New regulations, framed so as to correct these evils, were ordered to be made for the government of these bodies, the usefulness of which was fully recognized.

I have referred previously to the extraordinary inefficiency of the Provincial Assemblies, and to their persistent efforts to establish autonomous governments, and refusal to assist the government with money supplies. In February a request was addressed to the President by the Governors of the Provinces urging the dissolution of these notoriously corruptly elected bodies, "which," they said, "during the last year have sacrificed reason, righteousness and the common interests for personal and party interests, have aided or abetted the rebellion of last summer by the creation of a Provincial Assemblies Federation, and have become thoroughly discredited in the eyes of the whole people." On February 28th a Presidential mandate dissolved the Provincial Assemblies.

Though the constructive work since the bold but necessary *coup d'état* of November 4th last is naturally limited, it is indicative of the persistent determination of the President to build up a workable, popular and representative form of government. To enable him to keep promptly his pledge to the nation to call at an early date a Parliament and to effect the urgent changes in the Provisional Constitution, the necessity for which the sad experiences of the last two years had made manifest to everyone, and on January 25th last there was promulgated a body of regulations drawn up by the Administrative Conference for the selection and election of well-qualified men, four to represent the metropolis, two for each province, eight for the dependencies, and four for the United National Commercial Guilds, to compose a Provisional Constitutional Convention (*Yo-fa-hui-i*) to amend the Provisional Constitution and to pass (subject to the approval of the President) laws relating thereto. The composition of this body, the easy control the central government can, and probable has, exercised over the electoral bodies and electoral superintendents, make it very likely that it will be quite subservient to the views of the President; it may therefore further increase distrust of him and strengthen his opponents in their belief that he is but parodying the forms of representative government to better crush it. This is a chance he has to run; he has put his hand to the plough and cannot turn back. Believing in the honesty of his intentions and seeing in him the only man in China who can possibly save the country, we can but hope that the end in all he is doing may justify the means.

I cannot possibly better conclude this portion of my inquiry on the political situation in China than by quoting from a recent memorandum prepared by Dr. F. J. Goodnow, Professor of Municipal Law at Columbia University (New York), President-elect of Johns Hopkins University, and at present advisor on constitutional matters to the President of China.

"China," he says, "has been spared many of the evils which have been during the last century incessant to government in South and Central America. Although during the last two thousand years she has changed her dynasties, as a result of either domestic rebellion or foreign conquest, once in every three or four hundred years, she has not attempted in the past on the occasion of the overthrow of a dynasty to set up a so-called republic, but has been content to accept as her form of government what has been spoken of as hereditary autocracy.

"Within the last two years, however, China has departed from her traditions and has attempted to establish a republic. This attempt has been made, however, without any such experience as most European countries have had in parliamentary government. In other words, the attempt has been made to establish a republic before the foundations have been laid for a parliament. China, therefore, is in much the same position as were the South American countries when they threw off the yoke of the Spanish absolute monarchy. China is liable, if her position is not clearly apprehended, to pass through the same unfortunate experiences which have been characteristic of recent South American political life, and which find their most notable manifestation in the occurrences now taking place in Mexico. For, while it is perfectly possible here in China to establish a temporary autocracy under the name of a republic, it is difficult if not impossible to establish an hereditary autocracy. Royal families are not produced in a day. Furthermore, the leaven of Western European political ideas has been so busily at work in China that the establishment of hereditary autocracy is now more difficult than it formerly would have been. It must therefore be admitted that China must choose between a succession of temporary dictatorships, accompanied by all the evils which are incident to a change of political power under these conditions, and the establishment of some form of representative government which is suited to her needs. In other words, the choice must be made between on the one hand what is in the long run probably the worst form of government which a country can have, namely, a military dictatorship with no fixed rule of succession except that of force, and on the other hand some sort of parliamentary government. China's relations to foreign powers makes the choice of a military dictatorship a perilous one from the point of view of her political independence. For the disturbances which usually accompany that form of government will be liable to invite foreign intervention.

"If the choice which is made is, as it undoubtedly should be, in favor of representative government, it must be acknowledged at the outset that the task which will have to be undertaken is not an easy one, and that its immediate accomplishment may not be expected. For the establishment of such a form of government in the conditions which exist at the present time in the country is much less easy than the establishment of a temporary dictatorship. But the man or men who set themselves to this work will, if successful, make for themselves a name which few persons ever have the good fortune to leave behind them. They

will also have participated in conferring benefits upon their country whose value will be inestimable."

I have referred previously to the financial and monetary difficulties which have been, and still are, besetting China, and which first began to be felt after the Japanese war of 1894-95, and which became acute in 1901 after the Boxer uprising. From that date the financial situation of China has been getting steadily more involved and no remedy has as yet been applied to improve it; it seems incredible, however, that this rich and industrious country should be more than momentarily embarrassed by her present difficulties, which are purely the result of well-known and corrigible causes. Everything has of late years contributed to aggravate it; rapidly increasing expenditure for carrying out reforms with a decreasing revenue, foreign loan on foreign loan, most of them to be employed in unproductive ways, a revolution, growing brigandage, the partial dislocation of trade and of nearly the whole of the fiscal administration, the maintaining under arms of a very large, ill-trained and consequently expensive and dangerous army, the issue by the provinces of some £15,000,000 of unsecured paper currency, and, last but not least, the lack of general support or sympathy from abroad; these alone are more than enough to explain the annual deficiency of £10,000,000 in the budgets of the last two years; in any other country it would probably have created infinitely worse conditions.

The debt of China when the revolution of 1911 broke out, let us say at the beginning of 1912, was about £188,000,000, of which amount £150,000,000, contracted nearly all for the payment of indemnities to foreign powers, were unproductive, while only £38,000,000, borrowed for the construction of railways, were productive. All of these loans were, and are, adequately secured on revenues of the state.

To this amount the Republican Government has added about £37,600,000 of unproductive debt (the Crisp and Reorganization loans figuring for £30,000,000) and £7,600,000 for short term loans, domestic and foreign, and these alone, of all the items of her debt, are not guaranteed. The total amount of the debt of China at the present time may therefore be set down approximately at £225,600,000 and the annual payments of interest and amortization at about £10,000,000.

Within the last year the government has entered into contracts with various foreign companies or syndicates for the construction of a large number of railway lines, about 6,000 miles in all; the terms and the total amounts of these contracts are not known to me, but I gather that they may represent a final total of about £100,000,000, and that the loans for their construction, which the concessionaires will undertake to place on the money markets, are guaranteed by general mortgages on the roads and a general guarantee of the Chinese Government. In view of the present financial difficulties of the country some, at least, of these concessions may ultimately prove a burden on the government, as China's best interests have very likely not always been as carefully guarded as they should have been when they were entered into, but no railway in China should prove unprofitable if it has a fairly efficient management, even though it is capitalized at a very high figure, as some of these new lines may turn out to be. However, until the lines have been built and proved failures they must be classed with the productive investments of the state, and I only refer to them here because I have found in some foreign quarters of Peking a disposition to debit with the total amount of these contracts the credit of China, for the sole purpose, apparently, of creating the impression abroad that China is rapidly passing into insolvency and that national bankruptcy is impending.

But through all this time of stress and trouble, in spite of the disturbing causes referred to above, and thanks to the indefatigable energy of the Chinese peasant and merchant, to bountiful crops in 1912 and to fairly good ones in 1913, the trade of China has not only held its own but has surpassed in value that of all previous years, the revenue collected in the last year by the Maritime Customs alone reaching the record sum of £6,641,279, as against £6,096,629 in 1912.

The revenues collected from the salt gabelle have always been known to be large, though only a comparatively very small fraction of them found their way into the Treasury. A reorganization by which the whole of this sum might be made to flow into the coffers of the state had long been urged and seemed feasible; it needed but to levy the excise on salt at the place of its production, and free it afterwards from all other charges whatever. This seemingly simple plan is now being tried, so far with remarkable success.

A reform of this service was one of the conditions of the "Reorganization loan" of 1913; it was initiated last summer under the able and energetic management of Sir Richard Dane, and though it has only been extended to a small portion of the country, the revenue collected by the end of last year had so increased that there was a sufficient balance, after all current charges for 1913 against it had been discharged, to insure the half-yearly payments of the so-called Crisp and Reorganization loans, and with a fair promise that the revenue which would be collected during the current year, basing the calculation on the experience of 1913, would be not less than £3,500,000, as against the £1,200,000, or thereabouts which it is thought to have been prior to the beginning of the reorganization. There is a possibility of greatly and rapidly increasing the receipts of the Central Government from this source, which such a competent writer as H. B. Morse (*Trade and Administration of China*, p. 103) thinks might bring in annually some £9,500,000, but that it will prove politic for the Peking government to force the pace of reform in this direction, to take away immediately from the provincial governments and very influential private vested interests all the revenue they are accustomed to derive from this source, appears to me very doubtful, considering particularly the still unsettled political and economic conditions of the country and the grave financial embarrassment of many, if not all, of the provinces. For some years past they have seen revenues which they had formerly been able to confidently count upon, deflected to the Treasury of Peking, and nothing allowed or conceded them to take their place;

provincial bankruptcy seemed to them inevitable, and resistance to Peking's sweeping reforms their duty.

The same observations apply with equal force to the abolition of various internal taxes, which, although theoretically abolished and no longer figuring in the budget of the Peking government, still form in many provinces a very important item of revenue. If it were possible, in compliance with the provisions of the treaties of 1902 and 1903 to absolutely abolish them throughout the whole country, the harm it would do would be incomparably greater than the benefit which the possible increase of revenue would bring to the Treasury, for all sources of revenue cannot be taken away from the provinces until the Central Government is prepared to compensate them in some other way. This it is not yet in a position to do, and temporary compromise is therefore indispensable in the first adjustment of all these questions.

As bearing on this subject it may be noted that when the Peking government in 1911 placed in the hands of the Maritime Customs the actual collection and banking of all customs receipts (they had heretofore been made into various Chinese banks and been subject to the orders of certain specified Chinese officials), this necessary and salutary measure affected, nevertheless, most prejudicially the exchequers of some of the provinces, which had until then been receiving certain allotments of the customs receipts. All this goes to explain some of the present remissness of the provinces in supplying money aid to the government; until adequate means of existence are insured them it would be folly to expect much, if any, financial support from them; they cannot give it or, if they can, they will not, as in the case of the land tax, until at least their solvency is assured. The solution of this problem is intricate in the extreme and requires the most careful handling. All fiscal, as well as political and administrative, reforms in China must be carried out by slow progression extending over a number of years so as to allow the always rather unstable equilibrium (existing at all times) in every branch of the social fabric to adjust itself to them; in China, more than in any other country, haste is very apt to result in defeat.

From the above we gather that while foreign investors in Chinese securities are amply guaranteed against any loss, annual payments on this foreign debt leaves the government at present without the necessary means of paying the running expenses of the state, let alone re-establishing any adequate administrative organization or undertaking various measures which would ultimately prove beneficial and productive of revenue.

The Chinese Government have, in the urgency of their need of ready money, been obliged to have recourse to various expedients to satisfy them, but they have also sought to secure the needed revenue in a more regular and seemly way; but here they have found the road blocked by the emphatic objections of some of the treaty powers which have cynically refused to recognize China's unquestionable rights without exacting compensation to which they have not the shadow of a right, or have, by a clear perversion of the rights of extraterritoriality, denied China's right to impose new taxes on their nationals. I refer to the bringing up of the duty on foreign imports to an effective 5 per cent. which every treaty power solemnly promised to do in the negotiations at Peking in 1901, and which it has been well known to everyone for years that the tariff of 1903 did not do, thus depriving China without the shadow of a right of at least a million pounds sterling annually. I refer also to the refusal of some of the treaty powers to allow the imposition of a stamp-tax within the foreign settlements, or on their nationals in the interior of the country. It would be easy to add to the list of such cases; I only mention these two as they are the most recent and flagrant denials of justice.

Foreign interests backed by their governments, or governments by means of their banks in China, have so far successfully prevented China's trying any measures tending to effectively extricate herself from the embarrassing plight in which she is placed, and have obliged her to become a dependent on their bounty on such terms as they may, from time to time, see fit to impose. As I write this I am informed that the French Government has directed the French representative in the Financial Consortium (the "Five Banks Group") to refuse to go on with negotiations with the Chinese Government for the projected currency loan, nor make them any advances, and that the French Government for their part refuse to consider the raising of the import tariff to 5 per cent., or in any other way assist China with money or otherwise, until they have pledged themselves to pay the very large and exorbitant consequential damages claimed by some French interests (notably the Banque de l'Indo Chine, a partner in the Five Banks Group) for indirect losses said to have been incurred by them during the late revolution. I leave it to my reader to apply to the decision its proper name, but by whatever name it may be called it is worse than a crime; it is a grave mistake. From a strictly business point of view it is a very short-sighted policy; from a strictly political point of view it seems very hazardous, as it may ultimately result, if persisted in, in bringing about grave internal and international complications, which everyone, it would seem, must be desirous of preventing—if not in the interests of China, then in the interest of the world's peace.

Most of the Powers have, for years past, shown in China the same vacillating spirit which has been such a marked feature of their policy in other parts of the world. The decision, when the revolution first broke out in 1911, to observe neutrality between the recognized government of China and the rebels (not recognized as belligerents), to refuse the former the slight monetary assistance which would have assured, not the maintenance of the Manchu dynasty, for it was doomed, but the peaceful transmission of power from the old régime to a provisional government which would then unquestionably have been able to maintain order until a permanent government could have been decided upon and brought into orderly existence, was, to say the least of it, extraordinary, uncalled for, and, as events have proved, a short-sighted policy. The policy followed by the Powers since then has contributed more

than any one other cause to continue and aggravate the economic crisis underlying the whole present political upheaval. It has retarded the re-establishment of order and thereby directly operated to imperil and impede the further development of "the economic exploitation of China" which must remain the object of most of them, while rendering more facile and probable the success of the policy of those powers (if such there be) who seek to bring about the dismemberment of China as the only adequate means of permanently solving the economic problems which confront them. In brief, the present plight of China is being looked upon as the opportunity of the outside world; regardless of remoter consequences, it seeks solely for immediate substantial benefits, for securing compliance with every demand. If persisted in it can but so lessen the prestige and authority of any government China may have that peace and order, a healthy development, and all real and lasting progress will become utterly impossible.

The principal conclusions I have reached on the general situation in China as viewed from Peking may be summarized as follows:

(1) The first reform movement in China began in 1897 when China's administrative and financial weakness had already become extreme. It was undertaken purely as a means of defense against the rapidly growing impact of the West. It was based on essentially national precedents and theories with slight modifications along Western lines.

(2) The second reform movement, begun in 1901, when Western impact had grown infinitely stronger, was pushed with dangerous speed. It undertook the precipitate and nearly complete transformation of the whole machinery of state, and the no less precipitate adoption of an absolutely alien, extremely complex, and practically unknown machinery, and that without the guidance of men of ripe, or in fact of any, experience, or a body of well-trained assistants.

(3) The undue accelerating of the movement of reform by a government in the last stages of anaemia, together with increasing monetary stringency, brought about its collapse before the new ideas had had time to fully germinate, let alone mature, or the future governmental machinery be more than roughly planned for.

(4) The revolution was undertaken for the overthrow of the Ta Ch'ing dynasty, and was also supported by those who were opposed to the reforms undertaken by the Empire. It was not for the purpose of establishing a republican form of government, which was absolutely alien to the traditions, modes of thought, and culture of China.

(5) The republican form of government was accepted by the people of China who knew nothing of it, or of any representative form of government, at the suggestion of a few well-meaning idealists who, in turn, were to the last man without any personal experience of any form of popular or parliamentary government, and in the belief apparently that a republic, and especially a Constitution, would automatically restore peace, order and prosperity.

(6) The lack of trained men in the new government, and a consequent profound misapprehension or ignorance on the part of the various branches of the executive departments as well as of the legislative bodies of their functions and duties, has prevented the reconstruction of an efficient system of government, and the establishing of any correlation between the component parts of the state, and has intensified the economic disturbances from which the country is, and has been, suffering for many years past. The readjusting of the economic equilibrium can alone bring about the complete return of political tranquility.

(7) The financial difficulties which beset the present government are a heritage from the preceding régime, momentarily intensified by the collapse of the fiscal machinery of the former state, and by lack of confidence on the part of the people in the stability and authority of the government, as well as by indisposition on the part of some of the foreign powers to lend hearty support to the present government or in any way assist in relieving its present difficulties except on terms which would prove suicidal.

(8) The policy constantly and consistently advocated by Yüan Shih-k'ai aims primarily at the maintenance of peace and order throughout the country and the restoration of confidence among the people in those put over them in authority; it advocates slow, well-reasoned, practical reforms, suited to meet the real and immediate wants of the people and with due recognition of their peculiarities of race and past culture; to the development of agriculture, commerce and industry, and the spread of such education among the masses as will best contribute to that end and to their comprehension of the rights and duties of citizens of a constitutional, modern state, with a representative body. If he can attain this end he will have conferred incalculable benefit upon his country.

Peking, March 15, 1914.

ANNUAL REPORT OF THE BRITISH CHINA ASSOCIATION—1913-1914

The political turmoil which has prevailed in China for the last three years has now reached a state of comparative quiescence, and before discussing the particular events of the past twelve months it may be opportune, for memories are short, to take a brief survey of the various phases which the revolution has gone through. These may conveniently be divided as follows: First, events leading up to the mutiny at Wuchang on October 10, 1911. Second, events up to the abdication of the Emperor and the declaration of the Republic. Third, Republic under the National Council till the meeting of the full Parliament. Fourth, rebellion of 1913, triumph of Yuan-Shih-kai and his election as permanent President on October 6, 1913. Fifth, dismissal of Parliament and concentration of power in the hands of Yuan as absolute ruler.

The first period may be said to have been ushered in by the meeting in Peking of the first National Assembly on October 1, 1910. This body, consisting as to one-half of official nominees and as to the other half of provincial delegates, was called into being, in pursuance of decrees of the late Empress Dowager, to assist and advise the Government in introducing appropriate measures of legislation. It has been well said that the most dangerous time for a despotic form of Government is when it seeks to reform itself by invoking a popular element. Pent-up forces find a vent, liberty of speech develops into license of action, and if the governing power is weak a catastrophe follows. This was well exemplified by the sequence of events in China. The National Assembly, so far from assisting, began a series of attacks on the Administration,

which, though failing to have any immediate effect, weakened the prestige of the Manchu Government in the country at large and gave great encouragement to agitators. Sedition, which had long been simmering in the Southern Provinces, began to show a bolder front. Riots broke out in various places, and a serious military revolt in Canton was with difficulty suppressed. On April 21, 1911, the Tartar General was shot dead in the streets of Canton. A week later the Viceroy's Yamen was attacked by a mob, and in October the new Tartar General was blown to pieces by a bombshell. Concurrently with these ominous occurrences a well-meant but ill-timed action on the part of the Central Government provoked furious opposition among the well-to-do classes in the provinces who, so far, had no sympathy with the rioters and anarchists of Canton. This was the famous decree of May 9, 1911, which proclaimed the nationalization of all main railway lines, thus threatening to deprive the provincials of the large profits they hoped to secure by building and operating railways on their own account, and forecasting the loss of moneys already spent. The provinces chiefly affected were Hupei, Hunan and Szechuan. In the last-named province the opposition led to civil war, ending in the murder of the Viceroy and the disappearance for the time being of all semblance of Imperial authority.

The second stage began with the military revolt at Wuchang on October 10, 1911, followed two days later by the proclamation of an independent Government under the Presidency of Li Yuan-hung. While conflict was still raging between the rebel troops and the Imperial forces sent from the north, Shanghai proclaimed its independence, which was quickly followed by the adhesion of practically all the southern provinces to the rebel cause. From this time the Shanghai leaders began to assume control and invited the provinces to send delegates to a general conference. High-sounding manifestoes were issued to the press with a view to securing the sympathy and support of foreign powers, and at the same time strictest injunctions were given to protect and safeguard the property and persons of all foreigners. After the fall of Nanking the Conference was transferred to that city, being henceforth termed the National Council, and Sun Yat Sen, who meantime had arrived in China, was elected provisional President on December 28th. On January 5, 1912, a public manifesto was issued in his name proclaiming the "overthrow of the despotic sway wielded by the Manchu Dynasty and the establishment of a Republic." "This," he said, "is the formal declaration of the will of the people."

The northern provinces, however, and the northern troops still held out for the Dynasty, and had the Central Government only possessed a war chest of any reasonable size it is probable that the tide of battle would have turned. As it was, the Imperial troops recaptured Hankow and Hanyang, and Wuchang itself could have been re-occupied, but at this juncture pressure was brought to bear on both sides to stop further bloodshed, and negotiations were begun. Yuan Shih-kai, who had now assumed complete control of affairs at Peking, strove hard to retain at least a nominal sovereignty. The Imperial family, after a series of humiliations, yielded step by step, and finally, when it had been represented to them by their own generals that unless pay was forthcoming the loyalty of the troops could not be guaranteed, they gave way, and abdication followed. Money was the one thing needed, and that could not be procured, for foreign loans were barred by the action of the Powers. If the stories as to the millions hoarded in the palace were true, now was the time to bring them out, but either there were none or the Dowager Empress was reluctant to part with them, and so the inevitable happened. On February 12, 1912, the formal edict of abdication was issued, by which the Emperor appointed Yuan Shih-kai to "organize with full powers a provisional Republican Government, and to confer with the Republican Army as to the method of union." Yuan accepted the charge, and announced the fact of abdication to the National Council at Nanking. The latter body, while welcoming the abdication, took exception to the method, and Sun Yat Sen in replying pointed out that "the Republican Government cannot be organized by any authority conferred by the Ching Emperor. The exercise of such pretentious power must surely lead to serious trouble." The difficulty was got over by assurances from Yuan Shih-kai, but the point is significant, and may yet, in view of subsequent events, have an important bearing on the status of the head of the Republic.

On February 16th the National Council at Nanking elected Yuan as provisional President, and on the same day Sun Yat Sen handed in his resignation. Considerable discussion followed as to whether Nanking or Peking should be the future capital, but ultimately it was decided in the favor of the latter. The National Council in due course transferred itself to Peking, and its session was formally opened by the President on April 29th. Thus the new republic began to function.

The third stage is from the date of Yuan Shih-kai's election as provisional President on February 16, 1912, to the meeting of the full Parliament on April 8, 1913. This was a sort of introductory period leading up to the full representation of the people in a Parliament to be convened as soon as the electoral law could be passed. The National Council with which the President had meanwhile to deal was the Body which had conducted revolutionary affairs at Nanking, now supplemented by a few extra delegates nominated by the provincial assemblies. It might have been expected that this body would be homogeneous, if not harmonious, but the contrary was the case. From the start the members began to split up into parties or "tangs," as they were called. The avowed objects of each party were in the main the same, viz., the peace and unity of the Empire, but they differed in the methods by which these objects should be achieved. Each party considered its own nominees to be best qualified for cabinet rank; in other words, it became a scramble for the spoils of office. In July a trial of strength took place between the President and the Tung-meng-hui, or Cantonese party, and ended in a signal victory for the President. A re-grouping of parties then took place, and the Tung-meng-hui amalgamating with several smaller groups

became the Kuo-min-tang or democratic party. Deadly war was soon to be declared between the new group and the President, but for the time being they remained quiet, biding their time. The rest of the session was uneventful. The electoral law for the assembling of a real Parliament was passed in August, and the elections themselves were completed about the end of the year 1912.

While the members were assembling an ominous event occurred at Shanghai in the murder of a prominent member of the Kuo-min-tang named Sung Chiao-jen, who was shot dead at the railway station on March 20th. The assassin was a wretched hireling employed by a person of some notoriety named Jung Kwei-sing, and from evidence produced at his trial there was some reason to suspect that the murder had been instigated from high quarters in Peking. The truth was never known, but the event served to inflame the already heated passions of the Kuo-min-tang party.

It was in this temper that the Parliament met and was formally opened on April 8, 1913. This ushers in the fourth and most critical stage of the evolution which we are considering, and as events have left an impress on the Government of China which is likely to last for a considerable time, they are deserving of a more extended notice.

The split in the parties which had characterized the National Council was still more marked in the new Parliament. The original motive which prompted such divisions may have been in the main a hankering after the sweets of office, but as time went on the contest centered round the question of how much or how little power should, under the Constitution, be left to the President. Was he to have the nomination of the Cabinet, and thereby the control of the executive, or was he merely to be the mouthpiece of Parliament to carry out their orders? The Kuo-min-tang, which now included all the Canton and Shanghai original leaders of the revolution, and which was numerically the strongest party, answered the question in the latter sense. Consequently they held that the Constitution must be settled first and the President elected afterwards. The Kung-ho-tang and others considered that the election of the President should be at once proceeded with, so that he might have a voice in training the Constitution, and generally they were in favor of giving him larger powers.

When Parliament met their first business was to elect a speaker. It involved three weeks of wrangling before this formality was disposed of, and up to the end of June the only piece of legislation achieved was that the members voted themselves salaries of some $6,000 apiece per annum.

While the dispute over the election of a speaker was going on Yuan Shih-kai's Government succeeded in getting the long pending Reorganization Loan signed on April 27th. This, in the eyes of the Kuo-min-tang, filled up the cup of Yuan's iniquities. Formerly he had, so they said, instigated or connived at the murder of one of their best men, Sung Chiao-jen, now he had violated the provisional Constitution by signing the loan without the consent of Parliament. And, worst of all, the loan proceeds would enable him to pay his troops and so to ride rough-shod over the real authors of the revolution and the creators of the Republic. There was nothing for it but to fight or forever submit. This was the genesis of the subsequent revolt in August known as the T'ao Yuan, or "punish Yuan" expedition.

The control of the Central Government had so far been very shadowy over several of the southern provinces, and Yuan Shih-kai, probably seeing that a trial of strength was bound to come, threw down a challenge. The Tutuhs of Kiangsi and Anhuï had been conspicuous in thwarting the President, and both were dismissed from office but both refused to go. In May northern soldiers were sent by rail to Hankow and from thence along the north bank of the Yangtsze, opposite to Kiukiang. At the end of June a serious conspiracy was discovered in Wuchang, fomented by a party calling themselves the "Blood and Iron Thief Exterminating Society," the thief being Yuan Shih-kai. The strong hand of Li Yuan-hung easily put this down and some forty or fifty conspirators, including two or three women, were executed. This outbreak was followed by civil war in Kiangsi, in which the northern troops were easily victorious. Nanchang, the capital, was captured on August 19th, the rebellious Tutuh, Li Lieh-chun, a vain youth of the Young China party, fleeing for his life.

A few days after the outbreak of fighting at Kiukiang, the standard of revolt was raised at Nanking by Hwang Hsing, and an expedition was organized to march to Peking. A pompous proclamation was issued enumerating the many crimes of which Yuan Shih-kai had been guilty and announcing determination to have revenge. At the same time a fierce attack was made on the Shanghai arsenal, which for a few days placed many of the foreign residents in Shanghai in imminent peril.

As we are dealing with political movements and the underlying causes this is not the place to follow the details of the fighting that ensued. It is sufficient to say that the rebellion miserably collapsed, mainly because it found no support from the native Chambers of Commerce or the moneyed classes in Shanghai. The whole of the prominent leaders, such as Sun Yat Sen, Hwang Hsing, and Chen Chi-mei, fled to the friendly shores of Japan, and so escaped with their lives. Many of the minor sort were arrested and executed.

It may not be out of place here to express warm appreciation of the tact and management displayed by the Shanghai Municipal Council, under the chairmanship of Mr. E. C. Pearce, during the trying period which followed the attack on the arsenal. The occupation of the northern suburb of Chapei, which was being converted into the rebel headquarters, was carried out by the Shanghai volunteers with conspicuous success, though not without grave danger. Though the extension of the settlement boundary so as to include Chapei had long been desired, the Council wisely refrained from seeking to make capital out of the incident. It is to be hoped that the Peking authorities will, when the time comes, recognize the service ren-

dered to their cause and agree, in the common interest, that Chapei be incorporated with the settlements.

Another remark that may here be made is the extreme facility or fickleness with which certain capitals and provinces passed from loyalty to independence, from independence back to loyalty, and again from loyalty to independence, all within a few months. This seems to show how few able men there are who know their own minds and are capable of influencing their countrymen. It also shows how very unfitted the Chinese are at present to carry on the work of government through any popular assembly.

To return from this digression to the doings of Parliament at Peking. After the collapse of the revolt the Kuo-min-tang members adopted a more subdued tone. A motion to proceed with the election of a permanent President for a period of five years was not resisted, and on October 6, 1913, Yuan Shih-kai was elected by a large majority, with Li Yuan-hung as Vice-President. Several other names were proposed, but received insignificant support. It may be noted as a sign of the changed conditions that Sun Yat Sen, at one time extolled as the hero of the revolution, received but 13 votes out of a possible 800 odd. The election was immediately followed by the recognition of the Republic by all the foreign powers, and the inauguration of the new Republic was celebrated with great enthusiasm on October 10th, being the second anniversary of the Republic.

This brings us to the 5th or last stage of the revolution. A Parliamentary committee of both houses had been sitting since July for the purpose of drafting a new Constitution. In this committee the Kuo-min-tang had a preponderating vote. Towards the end of October they presented their draft. The President refused to accept it on the ground that it would bind him and all the Cabinet hand and foot to the will of the Parliamentary majority. Yuan adopted his usual tactics by telegraphing to all the Tutuhs and commanding officers the purport of the draft and his reasons for refusing it, and inviting their opinion. He received assurances of support from all quarters and was invited to turn out the Kuo-min-tang as a party dangerous to the public peace. Chance had previously put in his hand some treasonable correspondence implicating certain of the party in the recent revolt, and eight or ten members had been put under arrest. He now took the bolder step of denouncing the whole organization as tainted with treason, ordered its dissolution, and suspended the members from exercising their Parliamentary functions. The result of this mandate was that some fifty members in the Upper House and over three hundred in the Lower were expelled, with the further result that as no quorum could now be raised in either House, no business of any sort could be transacted. The purged Parliament, however, did not dissolve, as it might have been expected they would, but thought they must do something to assert their dignity. After much deliberation they resolved to address an interpellation to the Government, demanding to know by what authority the President presumed to expel members of Parliament who had been convicted of no crime or offence. An answer was requested within three days. No reply was given, but they were ironically told that as there was no quorum they were incapable of passing any resolution, even an interpellation. They were merely a set of private individuals, and Government could not condescend to answer individuals. In this inglorious condition they continued to meet until January 10th, when they were dissolved by a Presidential mandate. So ended this remarkable Parliament, which bears the unique record that during seven months sittings, with the exception of voting their own salaries, they produced no single act of legislation: good, bad or indifferent.

The President, in the mandate dissolving Parliament, intimated that in due course a new National Council would be summoned, and had indeed taken pains to let it be known, from time to time, that the principle of Parliamentary government would be retained. Meantime, in order to strengthen his hands and veil his despotic rule, he created what is termed a Central Administrative Conference, composed of two delegates from each province and a number of official nominees, 71 in all. The qualification was that they must be men of culture and high standing, as also experienced in affairs of state. As a matter of fact this body, as it stands at present, seems to be entirely composed of ex-officials of the Manchu régime, and does not include a single representative of the Revolutionary Party that figured so largely at Shanghai and Nanking in the autumn of 1911. It has no legislative power, but the theory seems to be that it is to advise and assist the President in the great policy of legislative reconstruction. It is in fact in miniature a counterpart of the Empress Dowager's first Advisory Council, the Tsze Cheng Yuan. A cynical observer might sum up the situation by saying that after having gone through the whole cycle of changes from absolutism to extreme democracy, and from democracy back to a dictatorship, they had completed the circle and were now back to the original starting point.

But we do not take that view. China has at last been awakened from the lethargy of ages, and things can never be as they were. A regenerating process has been started by which we believe a new and enlightened China will in time take the place of the old. But we venture to think it will not be brought about by any further revolution. The country has had enough of that. All classes have learned a lesson. Young China has been taught that it cannot force the pace, and old China realizes that it must keep moving. For the time being the paramount necessity of a strong man to keep the peace has been attained, and the nation may well be content with that. But there are two points of weakness in Yuan Shih-kai's otherwise strong rule. The first of minor importance is that there is no provision for a successor in the event of his demise without the turmoil of a popular election. The second, which is much more serious, is the want of money. The Government seem to be living daily from hand to mouth, and if soldiers pay be allowed to fall in arrear there may be military outbreaks with disastrous conse-

quences. It is incumbent on the Powers interested, as far as possible, to see that that does not happen. If it is impossible to float the balance of the reorganization loan, at least a moratorium might be granted for the Boxer indemnity secured on the customs, so that the money might be set free for the special purpose of paying such troops as are indispensable for keeping the peace and putting down brigandage. In time no doubt China can pay her way, even with the new indebtedness which has been piled up, but a period of at least five years will be required before that consummation can be reached.

As evidence, we hope, of the enlightened and progressive character of Yuan Shih-kai's Government, it may be stated that more railway concessions have been granted in the past six months than in the previous ten years. It is true that an undue proportion of the mileage has gone to foreign syndicates, but there need be no jealousy about that. There is still ample scope for any number of lines in the Yangtsze and southern provinces; enough to keep English engineers and manufacturers employed for the next twenty years, and all of a more remunerative character than some of the Western lines projected by Belgian and French interests. Since the dissolution of the Consortium for Industrial Loans, there has been a tendency to revert to the spheres of influence policy in the matter of railways, and it may be hoped that steps will be taken by our own Government to see that the Yangtsze Valley is better ear-marked for British industry than it has hitherto been. Another satisfactory feature is to be noted, and that is that the Central Government seem to have now overcome provincial opposition to national railways. Thus the Hunan and Hupeh local companies have been bought out and the sections constructed by them will be incorporated in the trunk line from Hankow to Canton. Szechuan province, where it will be remembered the revolt first broke out over this very question, has also given way. Not less important is the Kiangsu Railway Company, which for a long time blocked the British Shanghai-Hangchow-Ningpo contract. That company has now been bought out, and it is expected that the Chekiang company will follow suit. This will make the whole railway from Shanghai to Ningpo a British line, and it will be connected with the Shanghai-Nanking railway by a short line via Shanghai City. To the north of the Yangtsze a line from Pukow to Simyang (on the Peking-Hankow line) has been contracted for, and will be built by British engineers. This line will give through connection between Shanghai and Hankow, except for a break at the crossing of the river at Nanking.

Finance continues, and it is feared will long continue, to be the weak spot in Yuan Shih-kai's Government. The 50 or 60 millions estimated by Tong Shao-yi in 1912 to be required for reorganization purposes proves, as events have shown, to be none too much. The first 25 millions of this was issued in April, 1913, by the Quintuple Banks, yielding nett to the Chinese Government 21 millions. Of this, 12 millions were at once absorbed in paying outstanding foreign obligations; the balance appears to have gone in current expenditure, and in the extra war expenses necessitated by the revolt of 1913. Nothing so far has been done to reform the currency, or to redeem the irregular Provincial Note issues, estimated by the Ministry of Finance to amount to 20 millions sterling. Further, Treasury Bills and other short term notes to the extent of another 11 millions are falling due or are overdue, and no provision is made to meet them. The need therefore of a second issue of the reorganization loan of at least 25 or 30 millions is urgent. Tentative negotiations with the Quintuple Group are reported to have been going on, but it is evident that serious difficulties are in the way. There is first the diminished credit of China, as shown by the fall of existing securities; and, secondly, the fact that China at present has nothing tangible to offer as security. But if the Quintuple negotiations fall through the situation will demand the serious attention of those governments most interested in the trade of China, and more particularly of our own. The position is no longer what it was in the critical months after the rebellion, when the powers refused to assist the tottering Manchu Government. Yuan Shih-kai's Government is, by general consent, the only possible government. All that is needed is to supply sufficient funds to keep it going till such time as the recuperative power of China under reformed methods of administration is able to assert itself. The alternative is military outbreaks, general brigandage, destruction of trade, and an indefinite setback all round.

There are, however, some bright spots on the horizon showing that the recuperative power and reformed methods are already beginning to tell. Chief among these is the progress made by Sir Richard Dane in the organization of the Salt Gabelle. Although only two of the salt producing areas have as yet been taken in hand, namely, the Chihli or Changlu area, and the Kiangsu or Hwai area, the returns for this year are likely to be sufficient to meet the interest on the present issue of the reorganization loan, with something over. The customs revenue for 1913 shows an improvement over 1912 of some Tls. 4,000,000, and if the tariff were to be raised to an effective five per cent., as it ought to be, and no doubt will be, there will be a further yield of about £1,000,000 sterling. The opportunity should at the same time be taken to abolish the anomalies of reduced duties on land frontier trade, at least at all places where there is a railway into China. This would give a further considerable addition to the customs revenue. And lastly, it may be noted that considerable contributions are beginning to come in from the provinces. They are small indeed as compared with the sums which the Manchu Government used to receive, but the fact shows that Yuan Shih-kai's authority is now recognized, and better things may follow as the provinces recover from the effects of the revolution.

Another satisfactory feature is the improved railway earnings, more especially on the recently constructed lines, as for instance, the Shanghai-Nanking and the Tientsin-Pukow.

CHINA'S NEW MINING REGULATIONS.

The new regulations which the Chinese Government has devised and promulgated are a distinct advance upon anything else of the kind that have been adopted in the past, and afford tangible evidence that the Government is desirous of doing more for the development of the most important of her natural resources than has ever been done by any previous régime. While there are foreign critics who express apprehension lest the regulations will still be used in an obstructive sense so far as the introduction of foreign capital is concerned, the officials directly connected with the administration hold a different view

and give expression to more reassuring sentiments. They are in fact enthusiastic that the regulations will prove fully adequate in their scope to permit the untrammelled entry of foreign capital and will at the same time accord the fullest meed of protection to investors. The one thing that must be acknowledged is that the regulations are a tremendous step forward. In the old days—not so very old as measured by time—the mining industry was throttled by mismanagement and over-taxation by the officials, and was obstructed by the people, whose superstition led them to believe that the boring of a hole in the crust of the earth presaged the release of a disgruntled dragon which would wreak more damage in the immediate locality than the opening of half a dozen Pandora's boxes. The "industrial delegates" who used to be despatched to the provinces specially to take charge of mining affairs knew nothing of their work, and the Taotais to whom the task was eventually passed on knew less. There was no possibility of development under such conditions, and scarcely anyone endeavored to pursue the establishment of a mining enterprise to the end. The history of several concessions granted to foreigners are too well known to need repetition. Work was prevented by people and officials—and China repurchased the concessions at high prices, and then did nothing with them. That day seems to have passed so far as the Central Government is concerned, but whether the attitude of the people has changed can only be tested by an effort to carry on development work. In order adequately to administer the mining country eight districts have been created with responsible heads. Attached to each will be technical experts, Chinese and foreign, who will be chosen on account of special qualifications and whose duties will be connected entirely with the prospecting, location and development of mineral deposits.

A change, too, has been made in connection with the acquirement of mineral lands. Under the old régime the owner of the surface land was the proprietor of the ores beneath, and every manner of extortion was practiced to obtain money from those desirous of mining. Large sums have been squandered by mining concerns in acquiring the permission of the landowners to work, with the result that before proper development could be undertaken capital has petered out and enterprises have been abandoned solely for want of unlimited funds. Mineral deposits are now, however, declared as belonging to the State, and the landowner is unable arbitrarily to demand payment in any shape or form, except for land which might be required for buildings, and even then he will be compelled by the Government to accept the market rate of the day, provision being made for an appeal by the mining applicant to the head of the "Bureau of Mining Supervision" of the district in case of suspected extortion. This gives distinct encouragement to prospectors who hitherto have located deposits, for it is now possible for them to secure a right to mine irrespective of any claims the landholder may make, and providing that no other mining claim can be sustained. The area granted for mining has also been somewhat increased. In the old régime the largest area was 960 mow (a mow being 7,260 English square feet), but that has now been increased to 10 square li (a li being approximately one-third of a mile), in the case of coal mines, and to five square li for other mines. Any mining company having legitimate grounds for extension may, however, apply to the Minister of Commerce and Industry for such a right, and he is empowered to grant it if he thinks advisable.

A revision has been also made of the taxes which in the old days were imposed and strangled the industry. Gold, silver and precious stones could not be worked under a tax to the Government of 10 per cent., while 5 per cent. on the output of other minerals had to be paid. In addition to that, too, half of the profits of the mines had to be divided equally between the Government and the owner of the land, the other half going to those who had developed the property. In view of this it is not to be wondered at that mining enterprises never flourished in China, and it is gratifying to note that the Government has now seen the wisdom of making the tax a nominal one of from 1 to 1½ per cent. of the product of the mines.

The vital point so far as the foreigner is concerned is that of financial participation, and in this respect there has been a more liberal view taken of the requirements of foreign capital. In the old days foreign capital was restricted to 40 per cent. of the total, and every effort was made to prevent foreign direction of mining properties. The participation has now been placed at 50 per cent., but we have it on the authority of both the Minister of Commerce and Industry and the head of the Mining Department that foreigners may provide whatever portion of the capital is necessary if the Chinese fail to subscribe their moiety. Further, the question of control will rest with the mining company entirely, and there will be no restriction with regard to the purchase of shares on the stock market by foreigners. If this procedure is carried out in spirit there is much more certainty of foreign investment than heretofore, though large capitalists will hunger for concessions which will permit them to handle big schemes either with participation of Chinese capital or without.

On March 11 the important announcement was made that Professor Anderson, Director-General of Mining in Sweden, had been appointed Mining Adviser to China. This appointment is held in some quarters to be a guarantee that the Mining Regulations will be administered in a liberal spirit, as it is understood that Professor Anderson only consented to accept the appointment on the understanding that the old policy of obstruction to mining development should be abandoned.—*The Far Eastern Review.*

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New York City.

The selection given in this number of the Journal of the papers submitted to the National Foreign Trade Convention comprises those which have some recognizable relation to Far Eastern trade. Mr. Straight's paper on foreign trade and foreign loans has, naturally, an immediate bearing on the commercial and financial aims of the United States in China. He puts in a nutshell the whole issue as between the policy of President Taft's Administration and that of President Wilson and his Secretary of State, in regard to these. Mr. Straight rightly remarks that foreign bonds have never been a popular investment in this country, and the action of the present Administration with respect to the Chinese Reorganization Loan made it more difficult to create a market for such securities. Of course, developments in the Mexican situation have tended to make investors more cautious in regard to other foreign loans, and it is partly due to this cause as well as to generally unsatisfactory market conditions, that American bankers have recently been obliged to refuse to undertake a number of South American and Chinese loans the issue of which in this country would necessarily have assisted in the promotion of our foreign trade. For, while Mr. Farrell may be quite right in his claim that the striking annual increase of our country's trade with foreign nations is primarily due to the adaptation of our products to the requirements of over-sea markets and painstaking efforts and enterprise in competing with older manufacturing countries, the fact remains that the trade does follow the loan, and that, as Mr. Straight remarks, we have reached a point where we must be less introspective and seriously consider the possibilities of developing our trade by the methods which our English and German rivals have found so successful.

This point is very clearly elucidated in the paper of Mr. George L. Duval on the relation of the merchant to import and export trade. Mr. Duval holds the control of trade by finance to be a proposition no less true now than when England, the pioneer in foreign commerce, opened markets for her trade in the four quarters of the globe and offered a reciprocal market for return products. English industry and English foreign trade have had a prior lien on English capital. The manufacturer standing

behind the merchant, and the banker behind both, have combined to present what Mr. Duval calls an invincible solidarity of interests by virtue of which the British merchants have gained ascendancy in the markets of the world. He goes on to show that not only has British capital created commerce directly through manufacturer and merchant, but in a manner no less effective it has furnished means to develop the resources of the countries with which trade is sought, and has aided foreign governments with the funds required for public improvements. Hence, London became the domicile of a large part of the railroad and industrial enterprises as well as of much the larger part of the government obligations of the countries where the English merchant has sought an expansion of his business. Hence also the unquestioned soundness of the generalization that capital attracts capital, and every American enterprise must foster a demand for American products. And so the aspiration of Mr. Duval will find universal assent here, that if it does come to pass that American banking capital, having complied with its first obligation to foreign commerce, through the merchant and manufacturer at home, is taken into foreign countries, let us hope it will be when American commerce can exercise a preferential claim upon it.

THE amended Constitution for the Republic of China was promulgated on the first of May, superseding the Temporary Provisional Constitution, until it shall in turn be superseded by a permanent Constitution. Whether this is to be regarded as a "reactionary" instrument or not must depend upon the way in which the revolutionary movement in China and its immediate sequel are regarded. There can be no question that by judicial-minded observers the efforts of the Young China party to superinduce on the ancient civilization and indurated governmental methods of China a brand-new set of political and administrative conceptions, are regarded as demonstrably premature and necessarily mischievous. There can be no question that China needs a half way house between the old and the new, and that representative government among her people is not to be born in a day. The amended Constitution embodies all the guarantees of personal liberty which were inserted in the English bill of rights and which came by direct inheritance to our own Republic. It is true that the President of the Republic of China is not under the Constitution directly responsible to anybody; that there is no provision made for the choice of his successor and that as matters stand to-day in China the army has a very dangerous amount of potential influence. But taking into account the absolute indifference of the vast majority of the people in regard to their system of government, and considering that the maintenance of order and the attainment of a feeling of security are the first duties of the ruler of China, it is not very clear that he could have accomplished the objects which he appears to have very much at heart in any more effective way than by making himself practically a dictator subject to certain Constitutional restraints which are more nominal than real.

THE problems which Japan undertook to solve when she annexed Korea were not the less difficult because other nations had met them before. To their solution Japan at least brought no experience, so that her success in raising not only the whole system of government but the entire economic and social structure of Korea to a higher level, is all the more notable. Three years ago the Governor-General recognized that the most urgent problem confronting his administration was how to lift the Korean people out of their poverty, shape order out of chaos and find a way to prosperity out of ruin. The measure of success which has attended this effort, made both capably and conscientiously, has been set forth in a pamphlet issued by the Governor-General in which an account is rendered of his stewardship of Korea during three years since its annexation. That Japan has succeeded in making a contented and a loyal Korea can hardly be claimed, though it will not be questioned that she has succeeded not only in arresting a process of national degeneration which could only have ended in ruin, but in starting Korea on an era of progress which the next generation at least may be induced gratefully to recognize and earnestly to forward. The increase of Japanese households in Korea to some 80,000 or 90,000 ought to supply the kind of leaven needed to leaven the somewhat intractable lump of Korean nationality, by introducing a population sturdy and vigorous enough to impart to it new aims, new standards and a new access of vigor.

VANDALISM in China has steadily increased, participated in by the foremost dealers and collectors throughout the world and involving prominent museums, whose benefactors in many cases have supplied the resources by which colossal thefts and desecrations have been financed and carried out. Armed men are employed and an unknown number of people have been killed. The priests of the Buddhist and Taoist religions have asked for protection for their temples but cannot get it. Chinese magistrates have appealed to President Yuan Shih-kai, and in some instances in Honan province have had the unusual temerity to warn foreign vandals to leave. It has been pointed out and is feared that the consequences of these armed and forcible depredations will result in demonstrations against foreigners, such as preceded the Boxer Uprising and the boycotts accompanying the "rights recovery" movement. The lawlessness connected with the criminal traffic in Chinese antiquities which has become an industry, is partly masked by the disorders caused by the Chinese bandit, White Wolf, because the priests and people generally are unable to distinguish between the robbers under White Wolf and those under the foreign vandals. The full tide of armed robbery and destruction appeared to have been reached during the late winter, but there is yet no assurance that the evil is not still expanding. The support given to the memorials addressed to American institutions by the Asiatic Institute has been spontaneous and enthusiastic. Many letters expressing amazement and indignation at the situation as it affects our civilization have come from officers of the highest institutions. Following the circulation of these memorials and their dispatch to Washington the American Association of Museums in annual session at Milwaukee passed resolutions condemning the destruction and commercialization of objects of historical and artistic interest in China. The objects that have been stolen from China and are now appearing for sale in the shops of Europe and America undoubtedly should be outlawed from commerce and shunned by all public museums and all decent collectors.

Exports of Domestic Cotton Cloths, Mineral Oils, and Wheat Flour from the United States to China and Hongkong, during the ten months, ending April 30, 1913 and 1914.

EXPORTS TO CHINA.

Months.	Cotton Cloths. Yards.		Mineral Oils (illuminating). Gallons.		Wheat Flour. Barrels.	
1912						
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
November	4,465,586	312,753	4,610,300	267,220	1,626	6,591
December	4,140,282	285,499	3,208,710	266,649	8,096	30,853
1913						
January	7,096,890	481,040	2,988,096	134,464	11,264	44,611
February	7,005,113	489,324	3,385,530	293,367	35,988	139,183
March	8,576,182	561,677	7,817,080	442,421	47,313	178,385
April	10,679,063	743,675	7,110,600	642,584	19,450	76,933
Total	54,104,203	$3,726,891	51,456,330	$3,627,280	127,474	$491,993
July	13,861,576	947,287	7,367,800	400,559	8	48
August	5,839,825	398,458	2,029,963	101,498	3,128	12,545
September	12,196,195	815,514	7,188,242	388,354	13,763	53,191
October	8,478,971	606,864	5,586,934	403,697	36,881	150,509
November	6,030,732	414,584	11,169,900	763,814	22,163	80,728
December	10,123,497	696,682	1,587,995	142,924	19,403	76,033
1914						
January	5,834,057	374,844	5,862,678	550,580	20,438	83,928
February	5,917,505	386,094	3,933,710	365,668	9,128	37,567
March	3,480,246	234,926	10,357,055	761,109	6,842	25,543
April	7,774,295	523,534	10,576,471	850,158	1,192	4,960
Total	79,466,899	$5,398,787	65,660,748	$4,728,361	133,946	$525,052

EXPORTS TO HONGKONG.

1912						
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
November	60,138	9,400	600,000	52,325	101,682	401,414
December	155,414	15,971	.....	.....	63,521	250,274
1913						
January	636,832	43,454	1,425,810	151,888	60,862	228,941
February	163,478	25,420	.....	.....	102,121	410,463
March	196,668	29,815	.....	.....	129,461	492,019
April	211,034	33,938	1,195,000	117,707	120,249	478,075
Total	1,845,668	$200,912	3,221,090	$321,949	1,063,915	$4,176,370
July	101,998	16,568	3,659,160	258,103	143,689	572,237
August	155,718	20,489	.....	.....	49,897	202,209
September	109,192	16,476	487,143	45,342	27,423	105,366
October	132,835	20,351	2,755,658	161,053	157,358	617,471
November	47,646	6,924	950,000	89,300	174,918	699,052
December	55,790	10,469	850,000	79,899	191,375	736,979
1914						
January	26,947	4,210	3,069,936	154,129	156,240	630,482
February	37,817	5,925	2,313,350	137,351	45,483	182,177
March	25,151	4,034	60,770	6,182	84,138	328,602
April	34,782	4,823	2,591,000	145,570	37,677	148,345
Total	727,876	$110,269	16,737,017	$1,076,929	1,068,198	$4,222,920

WASHINGTON, D. C., June 11, 1914.

DEPARTMENT OF COMMERCE,
Bureau of Foreign and Domestic Commerce.

Imports of Tea and Silk into the United States for the ten months, ending April 30, 1912, 1913 and 1914.

TEA.	1912.		1913.		1914.	
Imported from	Pounds.	Dollars.	Pounds.	Dollars.	Pounds.	Dollars.
United Kingdom	11,632,872	3,125,736	10,365,780	2,984,770	11,721,035	3,174,297
Canada	2,111,966	601,785	2,499,075	719,763	2,448,399	697,758
China	17,092,874	2,201,032	23,161,298	3,179,350	19,993,220	2,732,933
East Indies	11,886,844	2,001,863	9,076,687	1,462,143	8,953,683	1,539,512
Japan	51,217,435	8,614,309	41,779,171	7,246,239	37,299,556	6,195,004
Other countries	752,337	136,027	887,793	177,601	1,021,413	195,087
Total	94,694,328	16,680,752	87,769,804	15,769,866	81,437,306	14,534,591
RAW, OR AS REELED FROM THE COCOON. SILK						
Imported from	Pounds.	Dollars	Pounds.	Dollars.	Pounds.	Dollars
France	73,243	275,442	104,863	306,062	51,060	179,375
Italy	1,528,975	5,529,808	2,352,099	8,734,419	1,549,119	6,777,430
China	3,936,727	9,253,402	4,697,627	11,697,425	4,993,483	13,255,892
Japan	12,145,902	39,663,864	14,875,973	48,901,508	17,202,298	59,972,902
Other countries	178,490	613,980	134,029	472,662	374 222	1,410,975
Total	17,863,337	55,336,496	22,164,591	70,112,076	24.170,182	81,596,574

DESECRATION OF CHINESE MONUMENTS.

Under the auspices of the Asiatic Institute in New York, more than fifty leading American institutions of an artistic, educational, scientific or humanitarian nature, and their officers, memorialized the President of China at Peking, and the Secretary of State at Washington, respecting vandalism, and the destruction and theft of sculptures and antiquities in China. The memorial to President Yuan Shih-k'ai, prepared by the Asiatic Institute, with the names of the memorialists is as follows:

PRESIDENT YUAN SHIH-K'AI

Sir: We have learned with profound concern, that through various evils of modern origin, monuments and antiquities in China invaluable to present and future generations of Chinese and to the world, have been irreparably lost and destroyed; that the high material value put by Western civilization upon antiquities and products of art showing the progress of mankind, has lately resulted in the commercialization, plunder and destruction of antiquities in China beyond the power of ordinary influences to control; furthermore, that such plunder and destruction not only are despoiling China of some of the garments of her ancient civilization, but actually tend to break down Chinese society by depriving the Chinese people of their heritage, besides crippling research and education, and retarding progress; Therefore:

Having a friendly interest in the good of China and the Republic, and having in mind the interests of enlightenment and human welfare generally, as well as the responsibilities devolving upon the nations and upon all well-wishers and friends of China, we have the honor herein to memorialize your Excellency and respectfully and earnestly to urge as follows:

That in view of all the circumstances and conditions; in accordance with ample traditional practice and precedent established by China's ancient rulers; and in co-operation and harmony with the policy of the most advanced governments, the National Government of China make new legal recognition of China's monuments and antiquities, and of all forms of national art of antiquarian and historical value as national property, and, in the manner adopted by other nations, newly take national possession of the same and bring them under national protection for preservation in China for the lasting benefit of the Chinese people and of mankind generally.

Respectfully submitted,

THE AMERICAN MUSEUM OF NATURAL HISTORY—Henry Fairfield Osborn, President.

THE AMERICAN ASIATIC ASSOCIATION—Willard Straight, President; John Foord, Secretary.

AMERICAN BOARD OF MISSIONS—James L. Barton, Corresponding Secretary.

THE AMERICAN GEOGRAPHICAL SOCIETY OF NEW YORK—John Greenough, Vice-President.

THE AMERICAN HISTORICAL ASSOCIATION (The Pacific Coast Branch)—Edmond S. Meany, President; Wm. A. Morris, Secretary.

ARCHAEOLOGICAL INSTITUTE OF AMERICA (The Seattle Branch)—Arthur S. Haggett, of Executive Committee.

ARCHAEOLOGICAL INSTITUTE OF AMERICA—F. W. Shipley, President.

ARCHAEOLOGICAL INSTITUTE OF AMERICA—Mitchell Carroll, General Secretary.

THE ART INSTITUTE OF CHICAGO—Wm. M. R. French, Director.

BROWN UNIVERSITY—W. H. P. Faunce, President.

BARNARD COLLEGE—Virginia C. Gildersleeve, Dean.

CINCINNATI MUSEUM ASSOCIATION—J. H. Gest, Director.

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THE COLLEGE OF THE CITY OF NEW YORK—Adolph Werner, Acting President.

COLUMBIA UNIVERSITY—Livingston Farrand, Professor of Anthropology.

DARTMOUTH COLLEGE—Ernest Fox Nichols, President.

DENISON UNIVERSITY—Clark W. Chamberlain, President.

DETROIT MUSEUM OF ART—Clyde H. Burroughs, Secretary, Board of Trustees.

THE DOMESTIC AND FOREIGN MISSIONARY SOCIETY OF THE PROTESTANT EPISCOPAL CHURCH IN THE UNITED STATES OF AMERICA—A. S. Lloyd, President.

THE JOHNS HOPKINS UNIVERSITY—T. R. Ball, Registrar.

LELAND STANFORD, JR., UNIVERSITY—J. C. Branner, President.

NATIONAL SCULPTURE SOCIETY—Isidore Konti, Secretary.

NEW YORK UNIVERSITY—Elmer E. Brown, President.

NORTHWESTERN UNIVERSITY—Abram W. Harris, President.

OBERLIN COLLEGE—Henry Churchill King, President.

OHIO WESLEYAN UNIVERSITY—Herbert Welch, President.

OREGON STATE AGRICULTURAL COLLEGE—W. J. Kerr, President.

PRINCETON UNIVERSITY—John G. Hibbin, President.

PRESBYTERIAN BOARD OF FOREIGN MISSIONS—George Alexander, President.

PURDUE UNIVERSITY—W. E. Stone, President.

RUTGERS COLLEGE—W. H. S. Demarest, President.

SMITH COLLEGE—M. L. Burton, President.

SWARTHMORE COLLEGE—Joseph Swain, President.

TUFTS COLLEGE—William L. Hooper, Acting President.

UNION THEOLOGICAL SEMINARY—Francis Brown, President.

UNITED STATES MILITARY ACADEMY—C. P. Townsley, Superintendent.

UNIVERSITY OF CALIFORNIA—David P. Barrows, Dean of Graduate School.

UNIVERSITY OF CALIFORNIA—John Fryer, Professor of Oriental Language and Literature.

UNIVERSITY OF CHICAGO—James R. Angell, Acting Vice-President.

UNIVERSITY OF CHICAGO—Ernest D. Burton, Librarian.

UNIVERSITY OF CINCINNATI—Charles Wm. Dabney, President; Frank W. Chandler, Dean College of Arts; W. P. Burris, Dean College for Teachers; J. E. Harry, Dean The Graduate School; Frederick C. Hicks, Dean College of Commerce; Herman Schneiden, Dean College of Engineering; Emilie W. McVea, Dean of Women.

UNIVERSITY OF IOWA—Thomas H. Macbride, President.

UNIVERSITY OF KANSAS—D. L. Patterson; Leon N. Flint; Edwin M. Hopkins, Chairman Senate Committee.

UNIVERSITY OF MINNESOTA—George E. Vincent, President.

UNIVERSITY OF NEBRASKA—S. Avery, President.

UNIVERSITY OF UTAH—J. T. Kingsbury, President.

UNIVERSITY OF WASHINGTON—Herbert H. Gowen, D.D., F. R. G. S., Department of Oriental History.

UNIVERSITY OF WISCONSIN—Charles R. Van Hise, President; Edward A. Ross,

VANDERBILT UNIVERSITY—J. H. Kirkland, Chancellor.

VASSAR COLLEGE—Ella McCaleb, Dean.

WELLESLEY COLLEGE—Ellen F. Pendleton, Dean.

WESTERN RESERVE UNIVERSITY—Charles F. Thwing, President.

WILLIAMS COLLEGE—H. A. Garfield, President.

YALE UNIVERSITY—Anson Phelps Stokes, Secretary.

YALE UNIVERESITY—Fredk. Wells Williams.

The companion memorial, prepared also by the Asiatic Institute and sent to the Secretary of State and bearing about the same number of signatures of identical character, is as follows:

HONORABLE WILLIAM J. BRYAN,
SECRETARY OF STATE.

Sir:

The Chinese race furnishes perhaps the greatest of all records of human society, and its future is closely associated with the destiny of society in this hemisphere. Our country contains an ever increasing number of men and women devoted to the hope of China's triumph in modern civilization and government, in which case she will extend her matchless social and human experiment continuous from the remotest times unbroken. In this connection interested persons and institutions in the United States are seeking to establish in China a school of Archæology as a means to encourage protection of the antiquities of China and provide for study there of China's ancient history.

On account of the ruthless destruction and plunder of antiquities in China since 1900, involving American citizens, the following individuals and organizations represented, having memorialized President Yuan Shih-k'ai as shown herewith, have the honor to request your aid in the official transmission of their memorial herewith enclosed, directly to Peking.

Furthermore, We have the honor to request:

First, That the Department of State, through its officials in China, use such means as it may determine to discourage all American citizens from vandalizing in China and from trafficking in broken and stolen sculptures and other archæological and art works of historical value belonging to the people of China, and to render aid and counsel wherever possible to shield Americans from being involved with plunderers of Chinese antiquities, and in all ways possible assist in preserving the good name of the United States, its citizens, agents, and institutions, free from connection with the destruction of Chinese monuments and antiquities and the traffic in stolen and otherwise immorally or criminally obtained Chinese objects of antiquity:

Second, That the Department of State, officially, semi-officially, or unofficially, as possible, through its officials in China and elsewhere, discourage the plunder and destruction of Chinese antiquities in times of peace or war in China, whenever opportunities permit, and support and encourage the Chinese officials and people in taking effective means to conserve their antiquities for China's benefit and the benefit of other nations.

Respectfully submitted,

(Signed)

THE NATIONAL FOREIGN TRADE CONVENTION

It is believed that our readers will peruse with interest the following copious selection of the very able series of papers submitted to the National Foreign Trade Convention, which met in Washington on May 27 and 28, Mr. Alba B. Johnson, president of the Baldwin Locomotive Works, acting as chairman. The honorary vice-presidents of the Convention were as follows:

HONORARY VICE-PRESIDENTS.

MR. J. S. ALEXANDER, President, National Bank of Commerce, New York, N. Y.

HON. JOHN BARRETT, Director-General, Pan-American Union, Washington, D. C.

MR. SAMUEL D. CAPEN, President, St. Louis Business Men's League, St. Louis, Mo.

HON. CHARLES A. CONANT, Banker, New York.

MR. J. R. COOLIDGE, Jr., President, Boston Chamber of Commerce, Boston, Mass.

MR. HENRY P. DAVISON, Messrs. J. P. Morgan & Co., New York, N. Y.

MR. JOSEPH H. DEFREES, President, Chicago Association of Commerce, Chicago, Ill.

MR. JAMES B. FORGAN, Chairman, Clearing House Association, Chicago, Ill.

MR. M. H. HALL, President, St. Louis Merchants' Exchange, St. Louis, Mo.

MR. H. G. HERGET, President, Illinois Manufacturers' Association, Chicago, Ill.

MR. CYRUS H. MCCORMICK, President, International Harvester Corporation, Chicago, Ill.

MR. WILLAM A. MARBLE, President, The Merchants' Association of New York, New York, N. Y.

MR. C. F. MICHAELS, President, San Francisco Chamber of Commerce, San Francisco, Cal.

MR. JAMES R. MORSE, President, American Trading Company, New York, N. Y.

MR. CLARENCE J. OWENS, Managing Director, Southern Commercial Congress, Washington, D. C.

MR. ARTHUR REYNOLDS, President, American Bankers' Association, New York, N. Y.

MR. E. W. RICE, Jr., President, General Electric Company, Schenectady, N. Y.

MR. W. L. SAUNDERS, President Ingersoll-Rand Company, New York, N. Y.

MR. P. H. SHOOK, President, Birmingham Chamber of Commerce, Birmingham, Ala.

MR. BENJAMIN E. THAYER, President, American Institute of Mining Engineers, New York.

COL. ROBERT M. THOMPSON, President, Society of Naval Architects and American Engineers, New York, N. Y.

MR. HENRY R. TOWNE, President, The Yale & Towne Mfg. Co., New York, N. Y.

MR. G. E. TRIPP, Chairman of Board, Westinghouse Electric Mfg. Co., New York, N. Y.

MR. FRANK A. VANDERLIP, President, National City Bank, New York, N. Y.

MR. J. G. WHITE, President, Messrs. J. G. White & Co., New York, N. Y.

The General Committee consisted of the following members:

GENERAL COMMITTEE.

Chairman, HON. LLOYD C. GRISCOM, former Ambassador to Brazil and Italy, Minister to Japan and Persia, Vice-President Pan-American Society of the United States.

FREDERIC BROWN, Secretary-Treasurer, Pan-American Society of the United States.

E. A. S. CLARKE, President, Lackawanna Steel Company, New York.

EDWARD V. DOUGLASS, Secretary, American Manufacturers Export Association, New York.

P. A. S. FRANKLIN, Vice-President, International Mercantile Marine, New York.

JAMES A. FARRELL, President, United States Steel Corporation, New York.

JOHN FOORD, Secretary, American Asiatic Association, New York.

EDWARD N. HURLEY, President, Hurley Machine Co., Vice-President Illinois Manufacturers Association, Chicago, Ill.

CHARLES E. JENNINGS, C. E. Jennings & Co., New York, President, American Manufacturers Export Association.

ALBA B. JOHNSON, President, Baldwin Locomotive Works, Philadelphia, Pa.

WALDO H. MARSHALL, President, American Locomotive Company, New York.

CHARLES M. MUCHNIC, Manager, Foreign Department American Locomotive Company, New York, Third Vice-President, American Manufacturers Export Association.

CHARLES A. SCHIEREN, Jr., President, Chas. A. Schieren Company, New York; Vice-President, American Manufacturers Export Association.

CAPT. ELLISON A. SMYTH, President, Pelzer Manufacturing Company, Greenville, S. C., President, Cotton Manufacturers Association of South Carolina.

WILLARD STRAIGHT, President, American Asiatic Association, former Consul-General, Press Correspondent, American Representative in China for the American Banking Syndicate.

EDWARD C. SIMMONS, Chairman of Board, The Simmons Hardware Company, St. Louis, Mo.

EUGENE P. THOMAS, President, United States Steel Products Company, New York.

HON. HENRY WHITE, President, Pan-American Society of the United States, former Ambassador to Italy and France.

Before the adjournment of the Convention the following resolutions were unanimously adopted:

I. NATIONAL FOREIGN TRADE COUNCIL.

Whereas, the development of the United States makes it essential to the best interest of the Nation that the Government and the industrial, commercial, transporta-

tion and financial interests should co-operate in an endeavor to extend our foreign trade; and

Whereas, this Convention, having been called to consider the means by which this purpose may best be served, deems it desirable that some organization be effected which shall endeavor to co-ordinate the foreign trade activities of the Nation; therefore be it

Resolved, That the delegates assembled at this, the first National Foreign Trade Convention, approve the purposes for which this Convention has been called and pledge themselves to use their earnest endeavors to secure the co-operation of the interests which they represent in a national effort to extend our foreign trade. Be it

Resolved, Further, That the President of the Convention appoint a Council, to be nationally representative in character and to be composed of thirty members, to be known as "The National Foreign Trade Council"; and, be it

Resolved, Further, That such National Foreign Trade Council is hereby authorized to call a second National Foreign Trade Convention at such time and place as it may deem advisable; and, be it

Resolved, Further, That the Chairman of such Council request the Chamber of Commerce of the United States of America to appoint a Committee which shall meet with the National Foreign Trade Council, or a sub-committee appointed thereby, to formulate a plan by which the National Foreign Trade Council may co-operate with the Chamber of Commerce of the United States of America.

II. COMMERCIAL ATTACHÉS.

Whereas, the export trade of the United States has, during the year 1913, reached the total of $2,484,000,000; and

Whereas, the entire Government appropriation for the current year for promoting this trade through the Bureau of Foreign and Domestic Commerce has been only $60,000, a sum which is wholly inadequate in view of the organization and expenditures of other governments for similar purposes, and of the importance of expanding our export trade for the benefit of American producers, manufacturers and workmen; now, therefore, be it

Resolved, by the National Foreign Trade Convention, assembled in Washington, D. C., May 27 and 28, 1914, representing upwards of one hundred of the leading commercial associations, Boards of Trade and Chambers of Commerce throughout the United States whose names are annexed hereto, that we heartily commend the Secretary of Commerce of the United States for his wise appreciation of the duty and opportunity confronting the Bureau of Foreign and Domestic Commerce; and

That we endorse his plan to reorganize the Bureau and to create a staff of commercial attachés accredited to our foreign embassies and legations, but reporting to the Department of Commerce; to increase the usefulness of the Consular Service by keeping a record of the commercial efficiency of the Consuls, and to increase the number of commercial agents to investigate special commercial conditions in foreign markets; and

That we endorse his statement, "that the above marks a turning point in American policy toward the great world of commerce and industry abroad, and that it must be reflected in increased prosperity to our capital and labor at home"; and

That we urge Congress, in the appropriations for the fiscal year 1915, to provide for this plan by the increased appropriation requested by the Secretary of Commerce for that purpose, in the confident belief that an adequate appropriation annually available for expenditure will yield important returns in developing and expanding foreign markets for the products of American workmen and American enterprise. We call attention to the fact that an appropriation of $250,000—double the amount asked for by the Secretary of Commerce for the fiscal year 1914-15—would equal but 1-100 of 1 per cent. of the value of our exports for 1913, or $1 to each $10,000.

III. ANTI-TRUST LEGISLATION.

Whereas, throughout the markets of the world combinations of our competitors are encouraged by their governments; and

Whereas, in consequence, American exporters are confronted by combinations of foreign rivals equipped to resist American competition and are often obliged to sell to combinations of foreign buyers; and

Whereas, our anti-trust laws, though powerless to forbid foreign combinations against us, nevertheless purport to regulate foreign commerce and apparently forbid American exporters to co-operate in the development of our foreign trade; now, therefore, be it

Resolved, by the National Foreign Trade Convention, a non-political, non-partisan gathering, representing in the aggregate millions of Americans, both employers and workmen, throughout the United States, whose welfare depends upon the successful competition of American exporters abroad,

That we urge Congress to take such action as will facilitate the development of American export trade by removing such disadvantages as may be now imposed by our anti-trust laws, to the end that American exporters, while selling the products of American workmen and American enterprise abroad, and in competition with other nations in the markets of the world, may be free to utilize all the advantages of co-operative action in coping with combinations of foreign rivals, united to resist American competition, and combinations of foreign buyers equipped to depress the prices of American goods.

IV. COMMERCIAL TREATIES.

Whereas, in the enactment of several of our recent tariff laws, and in the enactment of the present tariff law, our Government has recognized the principle of reciprocity in some form, although no fixed policy has ever been established; and

Whereas, a substantial measure of reciprocity has been established by law between the United States and Cuba; and

Whereas, the Republic of Brazil has also granted tariff concessions to a limited number of the products of the

United States in recognition of the generous tariff treatment extended by our laws to Brazillian products; and

Whereas, similar reciprocal tariff treatment of our products would be conducive to the development and expansion of our export trade; be it

Resolved, That it is the sense of this Convention that the President and the Honorable the Secretary of State be urged to exert their best efforts to negotiate treaties or trade agreements under existing law which will secure to American producers the advantages to which they are entitled in oversea markets by reason of the large volume of trade which those markets enjoy with us; and be it further

Resolved, That our Senators and Representatives in Congress be requested to support the President and the Secretary of State by such legislation as will accomplish this result.

V. MANUFACTURERS' CENSUS.

Resolved, That this Convention recognizes the importance of the census of the manufacturing industries of the United States which the Federal Bureau of the Census is required to take for the year 1914. The Convention recommends to all manufacturers that they co-operate earnestly with the Director of the Census and furnish information required to make the statistics of our domestic manufactures full and accurate.

VI. DIPLOMATIC AND CONSULAR SERVICES.

Be it Resolved, That this Convention realizes the importance and appreciates the benefits which have accrued to the commercial, manufacturing and business interests of this country through the capable and efficient services rendered by our diplomatic and consular officers, and we pledge our support to the measures now proposed, which we believe to be calculated to place these services on a higher plane of efficiency.

VII. AMERICAN MERCHANT MARINE.

Resolved, That this Convention strongly favors the upbuilding of an American merchant marine for its foreign trade.

VIII. THE PRESIDENT.

Resolved, That copies of these resolutions be submitted to the President of the United States, the members of the Cabinet and to all members of the Senate and House of Representatives.

The subjects treated of in the following papers will be found closely related to the work of the Association.

ADDRESS DELIVERED by MR. JAS. A. FARRELL

(*President of the United States Steel Corporation.*)

This assemblage of representative business men of the United States is held with the highest purpose. Many of you are devoting your best efforts to the extension of closer commercial relations between the United States of America and other nations. Representing, as you do, varied business interests in the United States concerned in foreign trade, whose efforts lie in the direction of bringing about a more important position for our country in the markets of the world, this first national Convention should become a landmark in the progress of American commerce.

By gathering and concentrating at this National Foreign Trade Convention, the opinions of many of the leading men in commercial affairs in our country, it is hoped to further develop foreign trade opportunities and to suggest ways and means to expand the foreign commerce of the United States, since there is no issue of more vital importance to the welfare of American industrial enterprise and labor than stimulation of our commerce abroad, as it is a recognized fact that extensive trade overseas tends to stabilize industry by insuring to manufacturers and producers a larger sphere of activity.

We are here to discuss along broad lines the fundamental condition of trade in the United States because it is impossible to successfully exploit the foreign markets unless our domestic production is on a suitable scale to make foreign exploitation possible. In considering these domestic conditions it is important that, having regard to the vast area and resources of our country, we should determine what present trade conditions are in each section of this country, in what respects they may be improved, and what measures may be taken to strengthen the sinews of our domestic commerce that we may become more potent factors in seeking oversea markets. Every business house, every firm, whether in trade or in the professions, every chamber of commerce, board of trade and commercial organization—in fact, every man, woman and child in these United States has a vital personal interest in the furthering of our export trade. It has yearly assumed a more important position among the factors which determine the material welfare of this country. It annually becomes more impressive in its function as a balance wheel to our constantly recurring periods of trade prosperity and depression.

The progress of American manufacturers in export trade is encouraging, and has been made in the face of many seemingly insurmountable difficulties. The development of the vast natural resources of this country has heretofore taxed the ingenuity and resourcefulness of our manufacturers in supplying the requirements of the home market. The great strides which we have made as a manufacturing nation are causing us to look beyond our borders to find markets for our surplus manufacturers, just as we found such markets in former years for our surplus foodstuffs and crude materials.

The United States exported during the calendar year of 1913, $2,484,000,000 in value and imported $1,793,000,000, showing an excess of exports over imports of $691,000,000. The annual increment of such vast sums as those represented by our yearly balance of trade in recent years must increase the prosperity of our country, irrespective of how this balance of trade must be expended. If we consider that, in the production or manufacture of two and one-half billion dollars of exports annually, there is probably engaged in its production from its origin in the soil, or the farm, or the mines, and through all the subsequent processes of manufacture and preparation and finishing up to its shipment, 80 per cent. of the value of the materials—for in the final analysis the bulk of the cost of all manufactures or production is the labor—the wages which are paid in the production and distribution of the two and one-half billion dollars of exports amount to approximately two billion dollars annually, and it may, therefore, be reasonably assumed that this involves the employment of two million men in the manufacture or production of exports. There is, therefore, engaged, directly or indirectly, in the production or manufacture of material ultimately destined for the foreign trade, about one out of every ten men in this country.

Considering that the two and one-half billion dollars of exports involves millions of tons of freight, the revenue from same is of material importance to the successful operation of the railways.

Let us also consider, as has been brought out in the papers submitted, that our oversea trade and the thousands of steamers employed therein is wholly dependent on this commerce, and it will be patent that not only is the export trade of vital importance to the railways, steamship lines and the multitude of industrial enterprises affected collaterally, and that, aside from the domestic trade of the country, there is no factor which is so much

involved in its material prosperity as the export trade, but that, due to its great significance with respect to the economic conditions of our financial relations with the markets of the world, the export trade is likewise a vital factor in international affairs.

The average excess of imports over exports of this country during 1913 was about fifty million dollars per month. During the early part of this year this excess has fallen off to but twenty-four million in February and only five million in March, while in April returns show an excess of imports over exports of ten million dollars in value. This important development alone demands serious consideration.

The nations of the world are no longer, as in earlier times, so largely concerned with military aggrandizement as with commercial prestige. The contest to-day is for supremacy in the trade of the world's markets, because that country which is a commercial power is also a power in other respects. Of our two and one-half billion dollars of exports, manufactured goods amounted to one and one-half billion, of which over one-half, or $778,000,000 in value, consisted of fully finished manufactures. Forty per cent. of this, or approximately $305,000,000 in value, were manufactures of iron and steel. In 1880 agricultural products formed 84 per cent. of our total exports; in 1913, 46 per cent; in 1880 manufactures formed 15 per cent. of our exports, in 1913, 49 per cent. It is apparent that we are yearly requiring for our own consumption an increased percentage of the foodstuffs and raw materials heretofore produced and exported, and that we must in future rely more on exports of manufactures if we are to maintain not only the favorable balance of trade, but a relative position in the world's markets and in the family of nations. It is, therefore, in the final analysis not only essential that we should increase and stimulate by every proper means our export trade to enhance our country's prestige and wealth, but this is rapidly becoming a necessity in order that the domestic consumption of the country, which is recurringly insufficient to absorb the capacity of our plants, mills, workshops and other avenues of production, should be supplemented by the export trade.

The large industries in our country have for many years been building up their trade in foreign markets in an energetic manner along intelligent lines, and may be said to be the advance agents of American trade in all parts of the world. Smaller producers are reaping the advantage of this pioneer work through the better acquaintance of foreign consumers with American products and methods, and, speaking of the iron and steel industry, the growth of its exports has been an increasing factor in the development of the trade of many collateral products.

The larger exporting interests consider that any increase or expansion of our foreign trade is a common growth and a common prosperity, irrespective of the class of goods, the size of the industry, the locality from which the business originates, or the port of clearance from which the products are shipped.

The expansion of export trade on the part of European countries has largely been due to the co-operation between the various commercial organizations for the promotion of trade relations with individual countries; the development of commercial organizations in Germany has done much to mould the economic position of that country. Over six hundred national commercial organizations, with five thousand auxiliary branches, indicate the scope and activity which such a multiplicity of ramifications bear to the results obtained by concentrated effort.

In the export field three of the parent organizations, with a membership of over thirty thousand firms, exert their combined influence in fostering the export trade of Germany. What is true of Germany in this respect is also true of England, France, Belgium, Austro-Hungary and other European nations.

There is a popular misconception that the paramount factors in the export trade of foreign countries are due to their financial ramifications and shipping facilities; but the striking annual increase of our country's trade with foreign nations reflects the results of adapting our products to the requirements of oversea markets, of painstaking effort and enterprise in competing with older manufacturing countries; of the knowledge our banking and manufacturing institutions are acquiring with respect to foreign opportunities; of the assistance that is being given by the Government and its consular representatives; of the increased efficiency of the productive establishments of this country, and the capacity of their officials for organization and commercial development.

The difficulties in conducting an export business are not insuperable, and the American manufacturer will continue to concentrate his efforts on process, cost of production and adaptability of manufacturing to the requirements of the markets, as well as to the offering of wares of peculiarly American origin and ingenuity. By their use of special machinery, their extraordinary facility of invention, experiment and improvements, American manufacturers are participating to a large extent in the area of expansion in foreign commerce.

The important increase during recent years in the exports of manufactures reflects this adaptability and enterprise, and the equally large decreases in the exports of raw and semi-finished materials foreshadow the desirability of continued effort along the line of manufactured exports, if we would continue to hold the theoretically favorable balance of trade.

The subjects that are appropriate and germane to consider in order to accomplish the desire of this Convention, to stimulate both the domestic and the export trade, as each is dependent upon and a complement of the other, are so numerous and of such wide importance that, necessarily, we can only hope to cover at this meeting those of the most significant importance. It has been thought by the Committee on Plan and Scope that, after we consider the commercial conditions of the United States, it is proper to consider how our foreign trade has been or may be affected by legislation in this country and by foreign governments. It is also desired to consider methods of financing our production for foreign trade, to consider what effect the tariffs of this and foreign countries may have on the upbuilding of this one great national necessity, increased exports; to consider the position of the distributing, forwarding and commission merchants as allies and intermediaries between the manufacturers and foreign consumers; to develop the importance of this foreign trade to our railways and steamship lines; to take up individually, so far as possible, the prospects and problems of business in our principal oversea markets; to invite from the Government its co-operation in its diplomatic and consular service, and by every other means which is appropriate further the extension of American commerce and interests abroad, and, lastly, the needed stimulation of American trade abroad by inducements to be held out to our financial interests to seek foreign loans and foreign investments.

These are some of the subjects to which your consideration will be invited, and it is not beyond the reasonable bounds of hope that this great Convention of representative business men from every section of these United States, wielding with their capital and resources and individual efforts an influence which, in the aggregate, has not yet been sufficiently realized, can to a large extent determine the future destiny of this country as a world power with respect to its foreign trade. It is essential that we should act as a unit in all matters to accomplish those great purposes which can only be effected by

co-operation and concerted action, and it may be hoped that the outgrowth of this initial Convention will be the close co-operation of the manufacturers and producers, merchants, transportation and financial interests of our country and of our Government in a unified effort for the upbuilding of American industries, for the conserving and exploitation of American manufacture and production to the common betterment of our domestic and export commerce.

You gentlemen who are interested in the development of foreign trade are performing a great work in the advancement of peace and civilization, for the good-will established by better acquaintance with foreign customers and satisfactory methods of dealing must redound not only to the benefit of the individuals and firms interested, but to the prestige of our country.

The commercial world is watching our consular service, and the efforts of our Government to keep this most important branch of our foreign representation on a merit and business basis. They will not forget that this service remains the one organized expression of our country in the stupendous economic contests which are now engaging the nations of the world in competition. The commercial interests of the United States should support and fortify in every possible manner the splendid work of the Secretary of Commerce, and other departments of the Government, in their efforts to maintain and improve this branch of our Government service.

In the struggle for the trade of the world, the United States will occupy the place for which the bountiful resources of nature and the efficiency of the people have equipped her. The intelligence, enterprise and co-operation of the people and Government will be applied to maintain and strengthen her position.

FOREIGN TRADE AND FOREIGN LOANS

By WILLARD STRAIGHT

(President American Asiatic Association.)

The United States is rapidly becoming an industrial as well as an agricultural country. For the first time since the Civil War destroyed our merchant marine and the construction of the great transcontinental railroads demanded our concentrated energy, we are actively interesting ourselves in the extension of our export trade, in the hope that we may penetrate, or create, new and more capacious markets.

For the successful accomplishment of this purpose we need a credit machinery which will adequately finance the manufacture and distribution of our products and which will "carry" these goods until they are paid for by the purchasers.

This financing of the transition from the producer to the consumer is, in the case of ordinary commercial transactions, handled automatically as a matter of banking routine. The purchaser may settle at once or arrange for sixty or ninety days,—or perhaps six months,—credit from the merchant, and the merchant, in turn, is either "carried" by his bankers or by the manufacturer who would, in the latter case, also be obliged to rely upon the bank for the necessary accommodation. When the purchaser, however, desires credit for a period of from five to sixty years, it is no longer an ordinary banking transaction; and it becomes necessary for him to obtain funds by the sale, on the market, of stocks or bonds rather than by discounting commercial paper.

In other words, the purchaser, instead of obtaining credit from the merchant, the manufacturer or the banker, through the banker as his agent, borrows from the investing public.

Most of the countries which are now rapidly developing their resources and which cannot themselves finance such development, must secure money in this way. If we expect to realize the full possibilities of our export trade, we must, by our readiness to purchase foreign bond issues, be able to extend to foreign purchasers the accommodation which they now obtain in the markets of our competitors.

This, roughly, is the problem of the foreign loan and foreign trade. Its satisfactory solution, which is of vital interest to our merchants and manufacturers, depends primarily upon the attitude of the American investors who, while they may not directly benefit by the increased sale of particular American commodities will, in addition to the return on their investment, share in the ensuing general prosperity.

This paper is especially concerned with the direct bearing of foreign loans on our export trade. It is impossible adequately to treat this subject, however, without analyzing the general aspects of international finance.

We must distinguish between foreign securities purchased solely as an investment and foreign loans which, in addition to their investment value, bring to the lender certain collateral advantages. Under the first classification should be included, for example, railway bonds or stocks, issued in the United States, but purchased in Europe for investment or for speculative purposes. In the same category would fall bonds issued by the Russian, Spanish or other Governments, which, though politically and financially independent, require for their development larger amounts than they themselves are able to supply.

Foreign holders of such bonds or stocks do not attempt to share in the management of the American railway corporation and are powerless to control the action of the Russian, Spanish or other Government, whose needs they have financed. Such loans, therefore, are judged according to their investment value.

Under the second classification would fall, loans issued on behalf of a foreign government or corporation in the markets of the bankers who negotiate the loan. These may be roughly classified as follows:

(1) Loans secured upon revenues which are collected under the supervision of the lenders as in the case of certain loans to Greece, Turkey, Egypt, China, Nicaragua and Santo Domingo.

(2) Loans, the proceeds of which are expended under the supervision of the lenders, as in the case of certain loans to Turkey, China and Egypt; or

(3) Loans, the proceeds of which are utilized to purchase goods manufactured by the lender, as in the case of certain loans to Russia and Spain, to various of the South American Republics, to Turkey and to China.

Loans of the foregoing character, besides the return to the actual subscriber thereto, assure certain advantages to the Government or industry of the lending nation, which are shared directly or indirectly by the investing public.

France, Great Britain, Germany, the United States, Belgium, Switzerland and Holland, are the chief lending nations. Switzerland and Holland are concerned primarily with investing their surplus capital. The British, German, and Belgian—even the Russian and Japanese—and particularly the French, Governments, however, have recognized the value of their investing power as a political instrument in the great diplomatic struggle in which all are engaged to secure markets for their foreign trade.

The great European nations are so well prepared for war that none dare to fight, except under the most extreme provocation, as was proved by their success in not becoming embroiled in the Balkan war. They have therefore evolved a system of co-operative international finance, under which they maintain stable conditions, favorable to trade development, and secure an equality of commercial opportunity for their nationals, in the countries whose

political independence has been impaired by financial debauchery. Thus in Egypt and Turkey the foreign debt is administered by commissions, representing the English, German, French, Russian, Austrian and Italian bankers, acting under the direction of their respective governments. Thanks to a similiar arrangement which is still in force, Greek credit was re-established in 1908, and although there is no foreign debt commission practically the same relation now exists between China and the lending powers.

A highly efficient mechanism of economic production has only a potential value. The aggressive strength of a nation depends on its political and financial stability, and its international position upon its investing power and the disposition of its government effectively to represent its citizens or subjects and to assist in the extension of their trade.

The great lending nations recognize both these facts. They utilize their investing power as a national asset. By building up a weaker nation through financial reorganization and the development of its resources, they create for themselves a financial and political influence which they convert to their commercial advantage. In this task Government, bankers, merchants and manufacturers, supported by the investing public which the Government represents, and of which the bankers, merchants and manufacturers are an integral part co-operate for the common good.

The political and commercial importance of foreign loans, if not most clearly appreciated, is at least most effectively utilized by the French Government, which counts upon the absorbing power of the French investor as a factor more potent even than the French Army, or Navy, in the maintenance of the diplomatic prestige of France and in the extension of French foreign trade. No foreign loan can be quoted on the Paris Bourse without the approval of the Minister of Foreign Affairs as well as the Minister of Finance.

In Germany, although the Government does not formally sanction a foreign loan before a quotation is granted, the great bankers work in close co-operation with the Foreign Office; and no loan of which the Government does not approve is apt to be listed on the Berlin, Hamburg or Frankfort Stock Exchange.

In England, while the Foreign Office encourages and supports foreign loans, there have been frequent instances in which foreign issues have been listed on the Stock Exchange despite governmental opposition.

The United States became a world power on the conclusion of the war with Spain. We have only recently developed an investment capacity, the potentialities of which we do not appreciate, although we have already, without evolving any general policy, attempted to utilize it both for the maintenance of order and for the extension of our trade.

The first instance, as far as the author is aware, in which the American Government took official cognizance of the political importance of foreign loans, was under the Platt Amendment, which provides that the Cuban Government shall not increase its indebtedness until it has first satisfied the American Government that such increase will not, by creating an excessive charge upon the Cuban revenues, prejudice the financial stability of that Republic. In making the stipulation, the American Government desired to preclude foreign financial domination and to safeguard the credit of the Cuban Republic, in order that the people of the United States, as well as the Cubans, might benefit by the development of the resources of the Island.

In the case of Santo Domingo, our Goverment assumed much the same position as that taken by the European Powers with respect to Turkey and Egypt, and latterly with respect to China. The finances of the Dominican Republic were reorganized and its foreign debt consolidated by means of an American loan, and the collection of the revenues hypothecated as security therefor was placed under American supervision. While similar arrangements were proposed, but not consummated, with Honduras, they were successfully effected with Nicaragua.

Corrupt Governments of the countries bordering the Caribbean Sea have, in times past, sold their national birth-right to foreign concessionaires. They themselves were not able, or apparently willing, honestly to administer their finances and, unable to borrow for their development on ordinary "financial" terms, they were obliged to give additional inducements, which have threatened to impair their sovereign rights. When they defaulted on their interest payments, their European creditors have in comparatively few instances attempted to collect their debts by force. Yet these debtor nations have not escaped the penalty of improvidence, for their credit cannot be restored until they meet their obligations. This situation has become increasingly embarrassing to the United States.

Dr. Henry Jones Ford, in a paper entitled "Disorderly States," in the *Atlantic Monthly* for May, points out that President Wilson in his speech before the Southern Commercial Congress at Mobile, has supplemented the "Monroe" by the "Wilson," Doctrine. The former was aimed at military or territorial aggression. The latter serves notice on those who would attempt to dominate American States by financial means. President Wilson anticipated the day when, through the beneficent influence of the United States, the weaker South and Central American States would be enabled to borrow on their national credit and no longer be obliged to grant concessions. These nations derive practically their entire income from their customs dues. Possession of the custom-houses, therefore, is the aim of each recurrent revolution. President Wilson's object can only be attained by placing these collectorates under foreign supervision. as has already been done in Santo Domingo and Nicaragua. Such action would assure a regular revenue amply sufficient to meet the service of the loans which these republics now need. Without such security, except in the case of railways which the lenders could control, neither European nor American bankers will loan money to these countries on ordinary financial terms. The profit on investment must be proportionate to the risk involved.

These nations, however, must not be permitted to utilize the Monroe Doctrine to protect themselves from the consequences of financial profligacy. We cannot refuse to permit foreign Governments to collect the debts due their subjects, unless we ourselves are willing to insure their payment. If we insist that the European countries shall not intervene, the United States must assume a corresponding responsibility. If we object to the enforcement of the mortgage we must act as receivers ourselves, and must either by Congressional enactment guarantee the foreign debt of these countries, or by diplomatic arrangements and by utilizing the services of American bankers, bring about financial reorganization by the establishment of reliable customs collectorates.

If the first of these alternatives were adopted, the United States Government, in case of default, would be obliged either itself to pay the debts of the recalcitrant republics, or by intervention to force them to meet their obligations. If the second, the chance of default would be minimized if not entirely avoided by assuring in advance a sufficient and safe revenue.

If we desire, therefore, to avoid complications with the European powers and develop our own export and import trade in the Caribbean Sea, we must, by means of foreign

loans, establish ourselves as the guardians of the financial stability as well as the territorial integrity of some of our southern neighbors.

In China, the Administration of President Taft attempted a task of a somewhat more ambitious character. The balance of power in the Far East, to which China owed and still owes her continued existence as a nation, has for some years, and is now, largely maintained by the nice adjustment of the financial and commercial, and therefore political, interests of the great powers. It is to the advantage of all that none should exercise a dominating influence. It is to their mutual interest to maintain the "open door" and share in the general Chinese trade, rather than by the seizure of territory to endeavor to monopolize the commerce of any particular region. President Taft desired to assist in the maintenance of the "open door," by securing for the United States a voice in this council of nations, the weight of whose influence depends primarily upon the extent of their material interest. He wished also to gain for American manufacturers a share in the profits of China's industrial development. He, therefore, induced a group of American bankers to establish an organization in China with a view to securing for this country a participation in Chinese loans. It was hoped that, owing to the approval of the Government and the reputation of the bankers concerned, an American investment in China might be created, and American influence be established upon a sound economic basis, as well as upon the friendship and goodwill which had been gained by the work of American missionaries and educators. The time for this undertaking, however, was not yet ripe. The Taft Administration was accused of supporting an American banking monopoly and of co-operating with European financiers in the exploitation of China. With the apparent hearty approval of the American public, President Wilson denounced the policy which had been adopted by his predecessor.

Foreign bonds have never been a popular investment in this country. It was hoped that a market for this class of security might gradually have been created. The action of the Administration, with respect to the Chinese Reorganization Loan made this task more difficult, and developments in the Mexican situation have not encouraged the investor to take an interest in foreign loans. Because of the circumstances above set forth, as well as because of the generally unsatisfactory market conditions, American bankers have recently been obliged to refuse to undertake a number of South American and Chinese loans, the issue of which, in this country, would have strengthened the influence of our Government in the borrowing countries, and the proceeds of some of which would have been directly expended in the purchase of American materials. This then is the situation by which we are confronted.

Our Government is stable; our credit is good; we can finance our domestic needs, and are able to obtain from the European markets much of the fluid capital which we require. We are in a position analogous to that of the prosperous merchant who, while borrowing from his banker to extend his plant and to finance his business, employs his surplus in advertising and in developing new markets. Germany, whose situation is similar to our own, while obtaining commercial accommodation in London or Paris, has utilized its investing power to increase German political influence and German trade throughout the world.

We ourselves have reached a point where we must be less introspective and seriously consider the possibilities of developing our trade in a similar manner. This, doubtless, will be admitted. It remains to devise means by which this purpose can be accomplished. Merchants and manufacturers blame the bankers for lack of enterprise. The bankers are inclined to blame the Government, and the Government, in turn, looks to the banker, the merchant and the manufacturer to take the initiative.

Under present conditions, if the market is good, American bankers will doubtless from time to time be ready, by attempting to sell foreign securities, to aid our merchants and manufacturers.

The Department of Commerce is specifically charged by Congress to encourage foreign commerce, and our Diplomatic and Consular officials show commendable zeal in their efforts to aid the developement of our export trade. Such undertakings, therefore, would doubtless receive official approval and assistance. In the present state of public opinion, however, any administration may be attacked if it utilizes the power of the Government for the profit of private interests, no matter what indirect advantage might accrue to the country as a whole.

There are those who would even urge the separation of business and politics. The one is the vitals, the other the brain of the nation. Attempted segregation will result in disaster. In this country we have, perhaps, in times past, suffered from indigestion. There are those who claim that we are now afflicted by brainstorm. Neither condition is salutary. We pride ourselves on being a practical people, tempered by idealism. If this estimate is just we should have the intelligence to recognize, and the imagination constructively to deal with, facts.

Governments to-day, although some are still autocratic, are no longer purely personal. International relations are concerned, not with the conflicting ambitions of sovereigns, but with the economic development of nations. Contemporary struggles are for markets in which to sell—rather than for territory to exploit—between bankers, merchants and manufacturers, and not between the armed forces which are now maintained as a guarantee against war, rather than as instruments of aggression. International trade and finance, therefore, are the focal points of international politics, just as our own business life, upon which we all depend for our well-being, furnishes us with our most important domestic problems.

We recognize that the prosperity of the nation depends upon the business success of the individuals who form its component parts; the capitalists seeking investment, the merchant seeking trade and the laboring man who will benefit by the increased demand for the fruits of his labor. Our Government concerns itself with adjusting the domestic affairs of its citizens, and it should actively exert itself in conserving and extending their interests abroad.

There should be effective co-operation between the Government, the bankers, the merchants, the manufacturers and the public. Such concerted action is particularly essential in matters affecting our international position. We should aim to develop public opinion to approve the use of our national investing power for the extension of our trade. This would enable the Government to adopt a definite policy and to declare that proper diplomatic support would be given to promoters and investors in foreign loans, the terms of which had been submitted to and approved by the Departments of State and Commerce.

It might be objected that in enunciating such a policy the Government would pledge itself to use the Army and Navy to extract interest payments due individual American investors.

Such a contention, however, is scarcely justified. Just as debtors prisons have been abolished in civilized countries, so international opinion deprecates the collection of debts by military pressure. Private contracts are enforced by the courts, and international differences, thanks to the increasing recognition of the economic waste of war, are now generally adjusted by diplomacy and arbitration. The

creditor nations employ their lending power to develop the resources and strengthen the credit of their clients. It is no longer considered sound finance to debauch a weaker Government by encouraging it to borrow; to create a mortgage which will ultimately be foreclosed by the seizure of territory. The British, German and French Governments insist that their bankers demand certain loan conditions, not because they desire to extend their political control, but because through assuring financial stability they hope to avoid the necessity of intervention. Debtor nations, therefore, increasingly realize that they must maintain their credit if they desire to expend borrowed funds free from the supervision of the lender. They are aware also that repudiation of their debts, or failure to meet obligations when due, will prevent them from obtaining funds on "financial" terms, not in one only, but in all the money markets of the world. The world's lending capacity depends upon the investing power of the creditor nations, not upon the accumulations of a few individuals. Money is highly sensitive: active in times of peace, timorous in the face of any form of military activity. It is becoming increasingly evident, therefore, that because of its international character and its democratic foundation, world-finance must be regarded as a guaranteee of world-peace and commercial development, rather than the means by which the stronger are enabled to exploit the weaker nations.

The Government of the United States is each year being drawn farther into the vortex of world politics. As a nation we are seemingly not yet conscious that the very development which has resulted from our irresistible energy and restless ambition imposes upon us greatly increased responsibilities to ourselves and to the nations with whom we are obliged by mutual interest to deal.

We have hitherto stood somewhat aloof, but this is no longer possible. Our enterprise has carried our interests beyond the seas. The present tariff, as President Wilson has stated, will stimulate our commercial and industrial genius by forcing us to meet the keen test of world competition. The Government, therefore, should co-ordinate the foreign trade activities of the nation. American diplomacy should stand sponsor for those whose resources and character guarantee the honorable performance of their obligations. Our export trade has been constantly increasing because the American merchant and manufacturer give "a dollar's worth of service with a dollar's worth of goods." This should assure to them the assistance of our Government in extending their activities. Such assistance should now be forthcoming in connection with the development of our foreign trade by means of foreign loans.

THE DIPLOMATIC AND CONSULAR SERVICE

By the Hon. Wilbur J. Carr.

(*Director-General, Consular Service, Washington, D. C.*)

The diplomatic branch of the foreign service has long occupied itself with problems of foreign trade. Originally its activities were directed mainly to the negotiation of treaties having for their object the clearing away of obstacles to freedom of trade and opening up of closed fields upon terms of equality with other nations. It is an interesting fact that the first treaty to be signed by this Government was that of the treaty of commerce concluded with France on the 6th of February, 1778. Since that time the diplomatic service, under the direction of the Department of State, has placed to its credit more than two hundred treaties or agreements relating in some way to commerce, and it is to be remembered that these treaties are not mere historical documents, but a large number of them continue to regulate the commercial intercourse of the United States with the nations of the world and to safeguard and protect the products of this country which seek a market abroad.

During recent years there has grown up a realization of the need of commercial agreements with foreign nations based upon the principle of mutual concessions as aids in the further development of our foreign commerce. The general tariff of 1890 contained a limited authorization of such agreements, and succeeding acts have contained similar clauses. The existing tariff act contains provisions empowering the President, for the purpose of readjusting the present duties upon importations into the United States and at the same time to encourage the export trade of this country; to negotiate trade agreements with foreign nations wherein mutual concessions are made looking toward greater freedom of trade relations and further reciprocal expansion of trade and commerce. No agreements have so far been negotiated under this act, but, when negotiations are once undertaken, diplomatic officers will have an opportunity to render service of inestimable value to commerce.

The protection and furtherance of our commerce through diplomatic intercession is peculiarly a function of the Department of State. The greater the number of our products that seek to find their way into foreign markets, the greater will be the number and variety of questions requiring treatment by the Department of State and the foreign service in a legal, diplomatic or administrative manner. Already the list is surprisingly large. The action which a diplomatic or consular officer may be directed to take in a given case, if it is to prove successful, is in a great degree dependent upon the condition of our political relations with foreign States. Therefore, a prerequisite to successful commercial diplomacy is a body of specialists who can, by constant study and watchfulness, be prepared to present any given problems at the proper time and in the manner most likely to bring about a result advantageous to the United States. To meet this need there were established in the Department of State, a few years ago, divisions of Latin-American, Far Eastern, Near Eastern and Western European Affairs, the Division of Information, and the office of Foreign Trade Advisers, for the purpose of specializing under the direction of trained men in the questions peculiar to the respective foreign fields. There was nothing essentially new in this plan. It merely followed the best modern business practice, and, in general, the form of organization which the great commercial nations of the world had found indispensable in discharging efficiently the duties growing out of their international, political and commercial relations. The result is that the Department of State is now giving systematic attention to subjects of discriminations against our commerce by law or administrative regulation, to unjust tariff classifications, the actual or proposed exclusion of specific American products from foreign markets upon one pretext or another, and in general to all questions affecting the present and future welfare of our foreign trade.

In fact, it is the earnest purpose and consistent practice of the Department of State to utilize the diplomatic service and other agencies under its control to the fullest extent in promoting commerce and close commercial relationships with other countries. So far as it is possible to do so, it is sought to obtain for reputable Americans equality of opportunity in the markets of the world; to secure for them the same facilities in the competition for governmental contracts abroad that are employed by their foreign competitors; and, in short, to employ every proper method within the jurisdiction of the Department of State and the diplomatic and consular service for the extension and safeguarding of American commerce and enterprise, so far as that can be done without favoritism to any particular interest over another, and without assum-

ing responsibility for or in any way guaranteeing the ability or standing of any individual concerned.

A review of the functions of the consular service, as that service is now organized, shows that there is perhaps no branch of the public service at home or abroad which renders services so diversified and comprehensive as those demanded of our consuls, and it seems desirable, in the interest of a better understanding of that service, to outline briefly some of the more important functions outside the field of commercial promotion.

Consuls are directed to ascertain and report to the Treasury Department the correct value of foreign merchandise imported into this country. These values are set forth in consular invoices, which are required for all shipments exceeding one hundred dollars in value. Undervaluations by shippers frequently result in a great loss of revenue to this country, and when it is remembered that most of our governmental revenue is derived from import duties on foreign merchandise, much of which is subject to an ad valorem rate of duty, the work of our consuls in detecting and reporting undervaluations will be appreciated.

Consuls are required to safeguard the public health by watching and reporting the prevalence of diseases in foreign countries, by the issuance of bills of health to vessels bound for American ports, and by regular reports on the sanitary conditions in their respective districts.

For the Department of Agriculture, consuls transmit reports upon a great variety of subjects embracing crops, plant and insect pests, farming methods, irrigation projects, pure food legislation, forestry and allied topics. Much valuable assistance is rendered by the introduction of foreign plants which can profitably be cultivated in this country as well as by a comparative study of agricultural methods in foreign countries.

For the Department of Labor, reports on immigration, labor conditions, wages paid in various industries, unemployment and its causes, old age pension systems, and many kindred subjects are transmitted.

For the Postoffice Department, consuls transmit reports on foreign postal conventions and regulations, and parcels post.

For the Department of Interior, consuls perform indispensable services in connection with pensions paid to Americans residing in foreign countries; applications for pensions and patents; and they report on such matters as education, mines and mining, reclamation projects and conservation of natural resources.

For the Navy Department, the consular service furnishes accurate information regarding rivers and harbors, lighthouses, wireless telegraph stations, and they collect data for the hydrographic charts issued by that department.

This multitude of duties, naturally more extensive for some departments than for others, extends to every branch of the Government, and likewise to private individuals. Consuls are called upon to assist in finding lost relatives and escaped criminals; to settle the estates of American citizens dying abroad; to investigate inheritances; to render notarial services; to supervise the shipping and discharge of American seamen; to relieve destitute seamen; to protect American interests from discrimination, and, in general, to safeguard and promote all American interests abroad.

In the non-Christian countries, such as China and Turkey, consuls are empowered to exercise extraterritorial functions, and are invested with judicial authority as regards American citizens and property. In some countries and under certain conditions, the commercial duties of consuls must necessarily occupy a secondary position, since the greater part of the time of those officers must be given to the protection of Americans and their property.

There are numerous ways in which the consular service is being utilized in the development of our export trade. All consular officers are instructed that one of their first duties upon taking charge of a new office is to acquire an intimate knowledge of the resources, industries, commerce and people of the territory embraced in their district.

It is considered to be of the highest importance that they make lucid and critical analyses of the import and export trade of their district, with special reference to the possibilities of supplying the demands with American products. The results of their investigations are embodied in commercial reports and letters. The principle of mutuality of trade interests and the broad proposition that we cannot expect to sell everything and buy little or nothing in return are expressed through the reports of consular officers upon the possibilities of exporting from their districts to the United States non-competitive raw or partially manufactured materials which may be used by American manufacturers.

Firms desiring to know the possibilities of introducing products into the foreign markets request information regarding the local markets from American consular officers. These inquiries are answered by letters indicating conditions of the local markets, the proper method of introducing particular products, and are often accompanied with lists of local dealers who might be interested in the products. And it might be interpolated here that if business men seeking information from the consular service should first obtain from the Department of commerce such information as that department may have available, they would greatly assist in systematizing the work of supplying commercial information and thus relieve consuls of the labor of supplying the same information to a number of individuals or commercial organizations.

When acquiring information with which to answer commercial inquiries, consular officers watch carefully for specific opportunities to sell American products, and very often are able to transmit comprehensive reports which lead directly to sales or contracts.

Construction work of all kinds is given careful attention, not only for the possibilities of American contractors competing, but also for the introduction of machinery, appliances and fittings which have materially aided in the development of the present high standard of efficiency of American construction work.

Voluntary reports resulting from the initiative of the consular officers constitute a considerable portion of the commercial reports received. These reports set forth local conditions, point out the possibilities of extending American trade and indicate the proper methods to be pursued.

These reports, or others especially compiled, indicate the language used locally, the terms used to express weights, measures and money, the methods of shipping, kind of credits given, and the other points necessary to the American business man in his study of the possibilities of foreign fields. The Department of State is kept promptly informed regarding proposed or enacted tariff legislation and customs regulations. Such information is often accompanied with statements regarding the probable effect of such legislation or regulations upon trade conditions. All of this information is available for the public through the Bureau of Foreign and Domestic Commerce of the Department of Commerce.

There is now being developed in a limited way a system of crop reporting which will enable the American producer to know of unusual conditions prevailing in certain sections or affecting certain crops.

Two of the essentials which are being brought to the attention of consular officers is the necessity of making their reports timely and comprehensive. Not only does the Department of State ask that consular officers main-

tain that intimate touch with current events which will enable them to report prospective opportunities for investigation and participation by Americans, but there is urged the necessity for the inclusion in all reports of pertinent details in their relation to the trade under consideration, such as selling methods, credits, collections, banking facilities, reliable lists of possible purchasers of merchandise, communications and freight rates, packing and marking goods, tariffs, customs regulations and surcharges, storage facilities and local requirements and prejudices.

By a system of careful inspection of consular reports and letters, and by instructions to consular officers regarding improvement in the preparation of such letters and reports, the Department of State has materially raised the standard, and in this work it is receiving the cordial co-operation of the Department of Commerce.

In connection with reports, and especially those relating to concrete opportunities for the marketing of articles of American production, business men can render assistance of great value by communicating to the Department of State or of Commerce intelligent criticism and helpful suggestions. The consul, many miles from home, may have a general understanding of the manner in which the American exporter carries on his export work, but he cannot be expected, without at least occasional suggestion, to convey information either as fully or covering as many of the material points as the needs of the exporter may require. Therefore, the development of both the diplomatic and consular service would be greatly facilitated by closer co-operation of the commercial interests of the country with the Departments of State and Commerce.

Both diplomatic and consular officers are giving much attention to lending their individual aid to representatives of American firms endeavoring to effect sales or business connections in the foreign field. This aid is given through introductions, information and advice and in other ways. That their efforts in this direction have been attended with much success is attested by the testimony of persons who have voluntarily informed the Department of the aid they have received and of the successful results attained. It is, therefore, desirable that representatives of reputable American firms when visiting a foreign field should call upon the American consular officer and enlist his support.

The foregoing gives a brief outline of the work of the foreign service in the foreign field. Its activities are not, however, confined to the work beyond the seas. A standing regulation requires that all consuls when in the United States on leave of absence shall call at the Chamber of Commerce or Board of Trade in the cities which they may visit when at home, and give such information as may be useful. A specific regulation names the great seaports of New York, San Francisco and New Orleans as consulting points for all officers who enter the United States at those ports. Coincident with the establishment of branch offices of the Department of Commerce in those cities, all consular officers were directed to make the branch offices their headquarters when in the United States on leave of absence, and through the press or otherwise to give due notice of their presence and readiness to consult with exporters or others in regard to foreign trade problems. These branch offices have advance notice of the arrival of consular officers and are thus prepared to arrange for interviews. A careful study of the results of these conferences has been gratifying in the interest which business men have taken in them and also because of their value to the consular officers themselves, all of whom have cordially welcomed the opportunity to come into personal contact with manufacturers and exporters and to receive as well as to impart information. They have returned to their posts with more enthusiasm and with a better knowledge of the work which is expected of them.

The results of these conferences have led to the issuance of general instructions to consuls directing them to prepare in advance of their visits to the United States to discuss such questions in relation to their districts as the local production of articles consumed, the sources of supply of imports, with prices; the trade extension methods which have been or may be found practicable in the introduction of new imports; local conditions of climate, prejudice, and customs; prospective construction work or other projects offering possibilities for the sale of material or other articles from this country; terms, banking facilities, customs requirements; delivery facilities and costs, and names of reputable importers. It is confidently expected that future conferences in this country will prove much more useful and satisfactory than any of those held heretofore.

It is to be hoped that it will soon become a fixed policy to require consuls from time to time to visit in a systematic manner the important industrial and exporting districts of this country, not only for the purpose of giving information, but also in order that they may acquire fuller knowledge of current conditions that affect the upbuilding of our trade abroad and thus be enabled to perform their part in the advancement of our commerce with more intelligence and with greater practical effectiveness.

From the foregoing outline of the activities of the Department of State and the two branches of the foreign service, it will be apparent that a much higher standard of efficiency will be reached if we continue steadily to advance in the directions in which present activities are tending. But if we are to meet satisfactorily the rapidly growing demands of our commercial interests and render the maximum of service, additional legislative assistance will be necessary. Without touching upon topics which lie within the realm of political controversy, it would appear appropriate to point out what are believed to be some of the essentials to the future advancement of the efficiency and general usefulness of both the diplomatic and consular service.

Although progressive in many directions, the United States is one of the most backward of nations in the treatment of its diplomatic and consular agents. The official compensation of the ambassadors of most of the great powers is from twice to three times that of an ambassador of the United States, and in addition a residence is usually supplied. Yet we expect our diplomatic representatives to maintain themselves upon a plane of equality with their foreign colleagues and to be a little more efficient than they. Likewise our consuls are expected to discharge promptly and efficiently the duties which I have outlined, and many more, and to maintain themselves in such a manner as to compare favorably with the consuls of the principal nations of the world, while a majority of them receive compensation but little greater than that of a chief clerk in a large firm in this country. Then, to provide for assistance in the performance of their work, both diplomatic and consular officers are supplied with meager allowances, which in most cases are entirely inadequate for the employment of suitable aid. Also, with few exceptions, the housing of our diplomatic and consular offices is below the standard maintained by most of the great nations. These are, in a general way, some of the weaknesses that need to be remedied before the foreign service can be developed to its full capacity as an agency for the promotion and safeguarding of both the political and commercial interests of the United States. Already most of these subjects are receiving either legislative or administrative attention, and it is to be hoped that in the near future the way may be open to the development of the entire foreign service organization to a standard of efficiency and usefulness that has hitherto been impracticable.

OCEAN TRANSPORTATION

By P. A. S. Franklin
(*Vice-President, International Mercantile Marine, New York.*)

Foreign trade consists in the exchange of commodities with other countries and, from the primitive days of barter to its present development, this exchange has required facilities for transportation in some form or another. It is a long step from the days of barter and the one-man-power dugout to the complicated system of credits and the Olympics of to-day, but the fundamental principles remain the same. In this exchange Argentina sends her wheat to England to pay for British machinery, while China sends us her tea in exchange for our cotton goods; but, in whatever manner this financial adjustment is made, the interchange of commodities requires ocean transportation.

It would be impossible for me within the limits of this paper to deal with the whole complex subject of ocean transportation, and I intend to confine myself largely to some features which are receiving prominent attention at present, and which, I think, affect the interests of the manufacturer and shipper, as much as those of the shipowner.

The ocean transportation business has recently been the subject of investigation, and legislation regarding it will probably shortly be under active consideration; and I therefore feel that it is important to take this opportunity of endeavoring to get before this body, representing so largely our national foreign trade, some of the features in this connection, and the defence of rate agreements and understandings among shipowners, believing that whatever hinders or hampers the carriage of the oversea merchandise will also hurt the producer and marketer of that merchandise.

This whole matter was so ably treated by a committee appointed by the steamship lines, of which committee I had the honor of being a member, that some of the points in this paper have been inspired by their report.

The great bulk of the foreign trade of the United States is to-day carried by regular lines working under agreements of various kinds covering their particular trades. These agreements or understandings have been without exception the natural outgrowth of intolerable competitive conditions rather than the result of studied effort on the part of any interest or combination of interests to control particular branches of trade; and, if such agreements had not been reached, the co-operation of a number of lines for the development and handling of the trade would have been displaced eventually by an absolute monopoly, resulting in the weaker line being forced to the wall, and leaving the field entirely to the strongest.

It is impossible to expect steamers under the American flag to become an important factor in the carrying of our products to foreign countries unless they are assisted by the Government; therefore, the movement of our traffic to foreign countries is entirely dependent upon foreign flag steamers, and under the circumstances it is most important that these foreign flag steamers should be allowed to trade to and from our ports without restrictions that are not imposed upon the same steamers operating from other countries.

A fallacy which I should like to expose here is the contention that the foreign lines are seeking to throttle American export trade. On the contrary, I am confident the foreign lines are doing everything possible to encourage our trade, which it is, of course, to their best interests to do, even to the apparent detriment of the merchants of the foreign country to which the steamers happen to belong, as the shipowner has to be supported by, and make a living out of, his particular trade.

The navigation laws of the United States have probably proved a deterrent to the building up of an American merchant marine, but the United States offers so many opportunities for a higher return on capital than is afforded by shipowning that it is not surprising that capital has been unwilling to embark in the shipping business, and if American capital were content with a return such as some of the great English lines have earned in the last decade, it might perhaps invest in ships.

If laws are to be passed making it more difficult and expensive for foreign flag steamers to operate from ports in the United States to foreign countries, naturally higher rates of freight will have to be charged by such steamers than are charged from European countries to the same markets.

The marvelous development in shipping, coupled with the immense increase in the number and size of steamers engaged in the carrying trade of the world, resulted during comparatively recent years in many cases in very unsatisfactory returns upon the investment, and in some cases in very heavy financial losses. This condition of affairs forced the steamship owners almost the whole world over to endeavor to form agreements or understandings in their particular trades, these agreements being devised for the general conduct of the business, and dealing with sailings, bills of lading, ports of call, and freight rates, and are the result of an evolution based on long experience gained in the practical operation in each particular trade, thus representing the best known method of conducting the business; and experience has demonstrated this to be the most useful and practical method for the economical operation of the trades in the best interests of shippers and shipowners alike.

Few of the steamship lines operating from this country, except those engaged in the transatlantic trade, have yet reached an advanced state of development, with vessels of a high class, carrying both freight and passenger, with fixed and regular sailings, and with a convenient and complete system of terminal facilities. The other services are operated for the most part with an efficient type of cargo vessel, of fair speed and large carrying capacity, but yet of moderate size and cost as compared with the highly developed vessels employed in the transatlantic services. The services in the long-voyage trades are still undeveloped in comparison with the lines serving the same territory from Europe, in which larger, faster and better types of steamers are used, on account of the large passenger traffic from Europe.

Although the services from this country have been sufficient for the demand up to the present time, they must be improved in the future both in speed and regularity of sailing, which will only be possible if the shipowner be allowed to earn enough to pay for improvements.

In the now thoroughly established transatlantic trade, it is not necessary for the lines acting in co-operation to determine or limit sailings in any way. But in new and undeveloped services it is necessary to agree on sailing dates and ports of discharge, for without regularity and frequency of service, American merchants, manufacturers and shippers would be at a decided disadvantage in competition with European merchants, who enjoy a more frequent and better developed service from European ports to ports overseas.

Shippers should be able to know with some degree of certainty when their shipments may be made and when they can expect them to be delivered to purchasers in distant countries. Under unrestricted competition, several ships may sail the same day or the same week for the

same port or ports, and, consequently, there may be no other sailing for a considerable period. When lines are working in co-operation they agree not only as to the date of sailing, but also as to the ports, thus avoiding the waste involved in several ships calling at ports which require only one and giving an excessive tonnage on one date and a corresponding lack of tonnage at other times.

It should be remembered that a large part of the shipments from the United States to foreign countries come from the interior. With regular sailing dates, goods arriving late and missing one steamer will be delayed only a short time and can go forward on the next boat. The loading and delivery of cargoes also is greatly facilitated by co-operation, preventing the accumulation of goods, unnecessary port charges and loss of time.

The result of an agreement as to sailings is to enable shippers to fill their contracts promptly, to build up new business, and to compete successfully with merchants in Europe.

The general opinion of merchants, steamship owners, and agents, seems to be that agreements as to rates are desirable and of advantage to both interests, provided the rates are reasonable and available to all shippers under similar conditions and circumstances.

Shipowners operating regular services are entirely dependent on the business of shippers, and therefore it is their aim to establish only reasonable rates, based on the condition of the general world's freight markets and the value of tonnage, and their desire being to maintain rates on a remunerative basis and yet permit their shippers to successfully compete with shippers from other countries of similar commodities.

The fundamental principle of shipping is "supply and demand," and owners appreciate that the ocean freight rate is frequently an important factor in the transaction, and endeavor to keep rates on a basis to encourage trade. Generally speaking, rates, particularly in the long-voyage trades, are fixed in competition with the rates of lines trading to the same points from foreign countries and are on a parity with those rates as nearly as conditions will permit.

Nearly all the important foreign trades in which the merchants of the United States are interested are subject to competition, by other regular lines and tramp ships. The fear of such opposition and the certainty that exaggerated rates would lead to further competition tends to keep the rates of the lines on a reasonable basis. No steamship line is ever immune from attack, and the history of every co-operative service is that it has grown from a single line or from a small number of lines to its present size and position by the constant aggression and admission of other competing services.

Ocean freight rates on merchandise to or from the United States, whether in conference trades or not, are dependent upon the service required and generally rise or fall with the rates to and from other countries.

The trade and shipping conditions of the whole world govern the ocean rates to and from the United States as well as to and from other countries.

Shippers and merchants desirous of doing business with foreign countries cannot conduct their trade successfully with such countries unless they have stable rates on which they can depend, enabling them to work ahead, as well as to be sure that their competitors cannot obtain any lower rates. This situation can only be brought about by co-operation between the steamship lines on practically the same basis as exists among the railroads, thus maintaining and assuring equal and reasonable rates to all merchants and shippers.

Neither the large nor the small shipper is ever at the mercy of the steamship lines if rates advance to a point which may be thought to be unreasonable. If the rates exceed or even approximate the rates at which tramp steamers can be chartered, large shippers of special commodities immediately protect themselves by the employment of tramps for the transportation of their shipments, and small individual shippers, who cannot accumulate merchandise in quantities sufficient to justify the chartering of tramp steamers, are at such times served by chartering brokers, who are always ready, when rates by the regular lines advance to such a point that a profit can be made by chartering, to lay chartered steamers on the berth, themselves accumulating the shipments of numbers of small merchants, who by this means can always protect themselves against oppression.

The protection of the small shipper lies in the liner's dependence upon him, just as the liner's protection is the recognition by the small shipper of his dependence upon the liner. The present large shippers and importers were formerly men of small operations. It is the constant experience of liners that the small shipper of to-day becomes the large and powerful shipper of to-morrow; and the line which would neglect or oppress him when weak can hardly expert his support when he becomes strong.

Looking at the case of the small exporter we also find a natural condition of trade operating to keep rates reasonable. With exports as with imports, the consumer pays the freight. This freight cannot be more than the consumer is willing to pay. The steamer's freight rate must, therefore, be such as will enable the American exporter to sell his products in competition with the products of other countries. The liner, which depends largely on the higher class freight for its profits, being regulated as to bulk cargo by the rate for tramp tonnage, would find it destructive of its interests to restrict or ruin the trade in those commodities upon which its greatest profit depends.

It is not to the advantage of the steamship owner to make the large shipper still larger, as the more shippers the better; but the larger shipper of a single commodity is frequently in a position to charter steamers, in which case the liner would lose some business which might be essential to the maintenance of the regular service. Therefore, the liner must make a rate necessary to secure the traffic, and would then give the same rate to a smaller shipper of the same commodity under similar conditions. The class of merchandise of these large shippers is not, however, commonly handled by the small exporter. The large shippers ship their own product, and, being in entire control of it, they often decline to sell their product to small exporters who might desire to trade in it abroad.

The class of merchandise shipped by the small exporters is ordinarily of an entirely different nature. It consists of articles of greater value, which can readily pay an increased rate of freight for a regular service. In asking a higher rate for such products, the attitude of the steamship lines is similar to that of railroads, which are permitted to charge a higher rate for less than carload lots than they do for full carload shipments, and to have classifications based upon the nature and value of the goods shipped, under which they charge higher rates on goods of higher value. If the large shipments referred to should not be secured, the smallest shippers would have to pay an enhanced rate of freight and would also suffer inconvenience from the necessary curtailment of sailings which would result from decreased shipments.

If rates should be unduly advanced, the foreign buyer, who pays the freight, would decline to purchase our products. The safety valve against the charging of exorbitant freight rates is in reality the lines' own interest to do everything in their power to foster trade, and to do nothing which would have a tendency to restrain it.

In considering the necessity for agreements in conjunc-

tion with the operations of steamship lines, the striking differences between the conditions incident to the operation of those trades and the business of railroads must be kept clearly in mind. Railroads obtain their franchises from the State, which permits them to lay their tracks along the lines of existing or potential trade centers, and to acquire rights of way by the exercise of eminent domain. Without these special privileges a railroad could not be built. A road which has been built in the exercise of such franchises becomes in duty bound to maintain a regular and continuous service, as efficient as the needs of the trade along the line require and the rewards of the business will permit, and do not have the risk of competition of tramp steamers.

The conditions under which transportation by sea is conducted are totally different. The ocean is free to all and ships are not fixtures in any trade, and are not constrained by any fixed line or route. They have no public aid, no franchises, and they may come and go by whatever route or in whatever direction they please. Their only incentive to engage in any particular trade is to develop that trade to such a point that it will yield a profit which will justify a regular and continuous service. But if conditions are imposed which embarrass a particular trade, or render it less profitable, or place an unreasonable burden upon it, it is but natural that the routes of ships would be changed to trades where commerce is unrestrained and yields greater gains.

According to the most recent reports of *Lloyd's Register of Shipping,* the oversea commerce of the world is conducted by over 25,000 steamers, having a gross tonnage of 43,954,000 tons, which are owned by approximately 4,200 different firms and companies. Of this great body of tonnage, only about 1,555 steamers, owned by approximately 108 different companies, are engaged in regular line service in the oversea trades. The remainder constitutes the great mass of free tramp tonnage, operating entirely under the law of supply and demand, and regulating the ocean freight rates for everybody by the charges which they fix for the transportation of the great mass of the world's staple products.

The fear of any general or large combination is thus seen to be without real foundation; while the economic and commercial necessity for working agreements among the regular line services has been demonstrated by experience and I believe is advantageous to shippers and shipowners alike.

The nature of the steamship business is so different from that of railways that it would be injurious, not only to shipowners, but to shippers and consignees if any limitation should be placed upon the absolute freedom of carriers to change their freight rates as the conditions of the freight market reasonably required. Ocean freight rates vary not merely from month to month, but from day to day and from hour to hour, especially with reference to the great staples which are traded in on the Exchanges. The difference of a fraction of a cent in the freight rate may mean the loss of a contract to a merchant or manufacturer at an interior point of the United States who is competing with manufacturers and merchants in other countries.

In the development of new countries the American manufacturer of steel rails, locomotives, car materials, bridge work, etc., is competing with English and German manufacturers. The American corn merchant is competing not only with merchants in this country, but with merchants in Canada, Russia, Australia and Argentina. Unless the carriers are free to quote to such merchants freight rates which enable them to compete successfully with the merchants of other countries, the ocean transportation business and the manufacturers will alike suffer serious detriment.

If we are to maintain our commanding position as an export country and to develop our trade still further in new and distant countries, methods substantially similar to those now in existence are essential.

Should the lawmakers of the United States decide that ocean transportation must come under the jurisdiction of some authority, or authorities, in Washington, I most strongly urge that this important question should be considered very carefully before any laws are passed, as, barring a certain amount of supervision and possible publicity to assure reasonableness, I am confident that any regulation on the part of the Government which would make the immediate alteration of rates impossible in a situation where we are competing with the world's markets, would result in a loss of trade and commerce that would be more harmful to the merchants than to the steamship owners who can always send their steamers into other trades.

That which is produced by the soil or manufacturing interests and sold abroad is consumed there and does not have to be redeemed by us as do stocks or bonds, therefore our export trade is of vital importance to the development and prosperity of this great country of ours. This trade is only in its infancy, therefore it is our duty to foster and promote it.

THE RELATION OF THE MERCHANT TO IMPORT AND EXPORT TRADE

By George L. Duval

(*Messrs. Wessel, Duval & Company, New York.*)

Whether merchants are or are not logical factors in the economy of business is, in effect, the theme to which one of their number is invited to address himself. The query has specific relation to merchants engaged in foreign trade, but if a negative answer is sustained in the limited field it will manifestly apply with greater force in the broader sphere because of the larger functions devolving upon a merchant engaged in foreign trade. If, however, it is limited to the business of the United States, it admits of little discussion should the process of elimination—the keynote of "big business" in this country—be justified and carried to an ultimate end. In that event the Swan Song of the merchant is at hand.

The American practice of developing business in foreign markets departs radically from the practice established and successfully maintained by other countries. While imitation and progress are not inseparable companions, still a precedent that has stood the test of time is worthy of respect without prejudice to the initiative in many details.

That finance controls trade is a proposition no less true now than when England, the pioneer in foreign commerce, opened markets for her commerce in the four quarters of the globe and offered a reciprocal market for return products. English commerce, and especially her foreign commerce, has had a prior lien on English capital. The manufacturer standing behind the merchant, and the banker behind both, have combined to present an invincible solidarity of interests by virtue of which the British merchant gained ascendency in the marts of the world and is now endeavoring to resist the encroachments of his Teutonic cousin, whose rapid strides forward are due to an elaboration of the same methods notwithstanding the advantage against him in point of resources.

Not only has British capital, ever enterprising, aided commerce directly through manufacturer and merchant, but in a manner no less effective—often more controlling—it has furnished means to develop the resources of the countries with which trade is sought, and has aided the

respective Governments with the funds required for public improvements. Hence, London became the domicile of a large part of the railroad and industrial enterprises, as well as of much the larger part of the Government obligations of the countries where the English merchant has sought an expansion of his business. Her supremacy as the financial centre of the world, the clearing-house of all business, is universally acknowledged, and is scarcely threatened by the diversion to other channels of a large proportion of the business formerly under British control. The Pound Sterling is the stable measure of value in all markets, and practically all international business pays a tribute to London bankers through Bills of Exchange drawn under commercial credits furnished by them. This is not because of the lack of competing banking facilities where the transactions occur, but, as we shall see, for the same reason that water seeks its level. Even German and other foreign banks located abroad transact the large volume of their business through agencies established in London.

Let us say that Argentina, Chile or Brazil resolves upon a foreign loan. It is taken, often in its entirety, nearly always in its major part, in London. The obligation of the borrower to the lender is seldom confined to his debt alone. Where facilities, especially financial facilities, are furnished, business moves along the line of least resistance. The proceeds of such loans are not required in money, but are employed largely for public works, involving foreign supplies and technical assistance. Thus, the capital so acquired becomes grist to the British contractor and the British manufacturer. It is available in the drafts of Government as required, and in the meantime represents a credit balance which is perennial in character. The drafts of Government against such credit balances are always an appreciable and, frequently, a controlling factor in the Exchange market, and are augmented by drafts against the balance of trade which as a rule largely favors the newer countries and gravitates to London. Not even the ever-increasing market for foreign products which Germany furnishes, in connection with the phenomenal increase in her export movement, has affected the Pound Sterling as a measure of value.

In the commercial combination of manufacturer, banker and merchant each factor has its appointed function, all assisting the common cause. For the present we are interested in the function of the merchant, who is really an agent for the other two. It devolves upon him to cultivate and maintain a market for the products of his country, using the facilities placed at his command to do so. His habit to provide for the careful training of youths seeking a commercial career and to acquaint them with the industries of their own country and the products which require a foreign outlet, is a preparation for sending them either to establish or join a foreign branch of the business, become acquainted with the needs of the place in which they locate and acquire a knowledge of the people which enables them to wisely extend such credit accommodation as the capital at their command permits, the measure of business obtainable depending on such accommodation. Since barter is the basis of trade, the British merchant has been alive to the importance of developing the resources of the country in which he is interested, and for this purpose, as we have seen, he has been equipped with abundant facilities.

The case of the American merchant in relation to the foregoing conditions presents a vivid contrast. The elements working in favor of his competitors have worked against him plus a general resistance on the part of manufacturers to depart from an adopted practice in order to meet the requirements of foreign buyers, and a spasmodic interest only on the part of many of them in foreign business at all. When depression comes upon their protected market and threatens congestion they show an impatient eagerness to sell not what is called for but what they have to offer, taking no heed of the difficulty in disturbing an established current and demand. Failing an immediate response to their urgency they rebuke the "inactivity" of the merchant by sending out commercial travelers to book orders on the merest acquaintance with buyers and often upon representations that cannot be fulfilled. The inevitable outcome—rejected shipments and unpaid accounts—is repeated at recurring intervals. At other times they facilitate small commission agents to compete with the merchant in order to avoid the charge which they assume is made alike on all business to cover the expenses of his organization. Expense cannot, of course, be apportioned by a horizontal charge. Merchandise constantly carried in stock to be available for sudden or uncertain demand incurs a much heavier charge than the stable merchandise of constant movement. This tolerates only a meagre margin which cannot be avoided however it is sold, whether direct by the manufacturer, he assuming the risk of credit, or through commission agents, or through the merchant—the latter, in proportion to his knowledge of the country and the people, and the standing he has acquired, being the most secure and, it is submitted, the logical vehicle of trade. He owes no apology to his constituents for a lack of enterprise; indeed, in view of the development of American foreign commerce, under the circumstances set forth, with the burden so largely upon his shoulders, he may fairly claim the credit due to energy that has disregarded difficulties. Foremost among the latter is the difficulty of attracting trade from countries in the process of development to one in the same category where a protective tariff has hindered a market for return products, upon which their purchasing power depends, especially when no compensating inducement can be offered, financial aid in the larger aspect being out of the question.

The complete lack of a national esprit de corps among the elements in the United States which benefit from a development of foreign commerce—elements which stand so compactly together elsewhere—is, in brief, the merchant's grievance. With no support from financial interests, since the needs of foreign commerce are unknown to American bankers, he is, without this invaluable aid to his own resources and efforts, the better entitled to expect the hearty co-operation and loyalty of the manufacturers. In justice to the latter, it should be said that until within a comparatively recent date the demands of a broadening market at home have in normal times taxed facilities, and that it is natural to cater first to the market which pays the higher price. Nevertheless, they owe it to the merchant that so much of a foreign market has been kept open to them as they were able or willing to supply. Yet, as soon as their increased production makes a continuous and steady outlet imperative, his services and status are ignored and they cater for the business direct. Of the increased export movement to which "big business" points in justification of its new methods, it is impossible to estimate the proportions attaching respectively to the change of policy and the change of procedure. The latter certainly has not increased consumption, and had the former been sooner adopted it is probable that practically the same results would have ensued, because the increase is business that has been displaced which formerly passed through customary channels.

In the American lexicon of big business "industrial progress" signifies an appropriation of all the functions and benefits "from the cradle to the grave" theretofore in any way connected with its product, save only the essential element of credit facilities. Accustomed in their foreign trade hitherto to avoid that risk, the manufacturers see no reason to assume it in their greater development. Nor does the consideration that attends the credit service carry any preference to the American merchant; on the

contrary, it is apt to go against him and leave him competing at a disadvantage with firms whose natural interests have resisted his earlier efforts to establish a market for the same article. His ploughshare thus made a hostile weapon against him, he is as one who has carried fagots to his own funeral pyre. The mere denial of a preference he is qualified and entitled to expect does not signify, however, that the actual discrimination was intentional. Foreign merchants will shrewdly offer some consideration for such a preferential position, and "big business" cannot stop to heed equities on the road to its goal. Verily American industrial enterprise is not without honor save in the experience of its own countrymen.

The extent of a foreign market depends, as has been stated, upon its purchasing power, conditioned on the development of its own resources, so the activities of the merchant have not been confined to the sale of goods. He realizes that whatever assistance he can give to his clients to develop local resources serves to increase his business with them. The disadvantage of the American merchant as compared with his British colleague in this respect has already been alluded to. The utmost that the American could hope to offer was a home market for foreign products as far as breaches in a tariff wall permitted. He has nevertheless, times without number, brought to the attention of the capitalists of his country attractive industrial projects only to see them subsequently taken and successfully exploited, yielding large profits to European capital. Another motive prompting him to foster a home market for foreign products is the necessity of providing homeward employment for tonnage. The independent transportation facilities that have always served the commerce of Europe, growing with its needs, were not always available to the American merchant, so he was obliged to supply this element for his own business and to provide homeward cargoes for the vessels.

Two fallacious theories, which find expression at intervals, concerning the needs of our foreign commerce merit a few words to correct the impression they convey to the disparagement of the real situation. "Trade follows the flag" is a pretty but entirely euphonious sentiment. Trade follows the lines of least resistance, according to the facilities afforded. Neither the foreign buyers of our goods nor our buyers of foreign products are in the least concerned in the carrying flag. The American merchant would rejoice to see his flag floating over his merchandise, not because it would help him to sell another package, but for the same reason that all good citizens wish for a national merchant marine as an adjunct to the national defense. This achievement will be accomplished by taxation or an amendment in our navigation laws to enable our tonnage to compete for foreign trade, but in any case, unless other conditions are equalized, our products will continue to be taxed with higher rates of freight than Europe pays—not because tonnage is owned there, but because it assembles there in greater volume by reason of the greater movement of foreign commerce.

The other pet notion of the theorist, who would build up foreign commerce by proclamation, is the necessity of American banking facilities in the countries where we trade. The project most favored is an American Bank with large capital to establish branches in the principal centres of the South American Republics. It is not suggested that the capital should accompany the branches and be allocated to their use, and in point of fact that is not the intention. If it were it would assist American commerce only with an impracticable limitation on its employment, because without restriction it is more likely at present to serve the commerce of other countries; whereas, if the capital is available at all it can better accomplish the avowed purpose without going afield, and with much less risk and expense in assisting the merchant to assist the manufacturer, or vice versa. Saving notable exceptions, the history of foreign banks in those countries does not show that they have been an aid to commerce. As a rule they have encroached upon local banking and profited by operations in Exchange. This is undoubtedly the animating impulse behind the project of the American Bank. We may be assured that in the important countries to the south of us, where the branches of such a bank would be located, there is no dearth of local financial facilities available to American firms which are worthy and could obtain such facilities at home. That in addition to the development of American commerce, other American interests located in South America will eventually require distinctive banking facilities we all devoutly hope and many of us believe. The recent establishment there of several large American industrial enterprises is an encouraging sign. Capital attracts capital, and every American enterprise fosters a demand for American products. If it does come to pass that American banking capital, having complied with its first obligation to foreign commerce, through the merchant and manufacturer at home, is taken into foreign countries, let us hope it will be when American commerce can exercise a preferential claim upon it. To hold it, in its limited supply, equally available to all commerce would be hostile to our own commerce, just as it would be hostile if the activities of the American merchant made no distinction between the products of his own country and the same goods procurable elsewhere, or, in the case of the American manufacturer, should he make no distinction between American and anti-American channels of distribution. In either case the inestimable advantage of united action—team work—to which achievement in general owes so much, is lost to us and remains with our adversaries.

Coming back to our text, the annals of foreign trade justify, not only as logical but as essential, "the relations of the merchant to the export trade" by reason of the facilities he offers for conducting business, in its broad sense, to the best advantage. Apart from the element of credit, which is furnished by the merchant and is a *sine qua non* in developing business to any extent, he caters to the convenience of his clients by carrying such an assortment of merchandise as his knowledge of the market informs him it will require—an experience which is often a costly asset. The facility which a well-assorted stock offers to the development of business is manifestly greater in foreign markets than in those nearer to a source of supply, and each article that the merchant carries assists the sale of all the other articles because his client prefers one account to many and because he becomes a sort of mentor to his clients in the expansion of their trade. A merchant engaged in foreign trade is therefore the representative and selling agent not for one, two or three manufacturers, but for all of those whose products are suitable to his specific market and who are seeking a foreign outlet for them. It is accordingly evident that each article that is withdrawn from his activities, by manufacturers who are eager to appropriate the function of distribution, impairs to a greater or lesser extent the facility with which the other articles depending on his efforts are sold. It is incidentally apparent that any facility accorded to foreign merchants, i. e., to merchants engaged in commerce with competing countries, to sell American products is a handicap upon the sale of such other American products as that merchant can procure in his own market, because on even terms he will always show a preference against the American product. The merchant who confines his business to American products is clearly the logical agent for American manufacturers, and is entitled to protection and preference from them, not for any sentimental reason nor through esprit de corps, but because if he does no business for them he does no business at all.

A preference on even terms is the utmost advantage to be expected in trade, and this, when the condition arises, will certainly go against the country whose interests are confided to a potential competitor. The European manufacturer is shrewd enough to appreciate this situation and always entrusts his interests to his own nationals. The American manufacturer of the larger category makes no distinction except between cash and credit, and the result is measurably a prejudice to American commerce. On very different lines has our vast domestic commerce developed. With the support it has had from financial sources it was much less in need of the active co-operation of the manufacturers than foreign commerce, whereas it has had immeasurably more.

"The logical relation of the merchant to the import trade" is also established by the annals of foreign commerce because of the success of his efforts to cultivate and expand a home market for the products of the countries wherewith he trades. This, of course, in the case of the American merchant, has been limited by the restrictions of a protective tariff. Had he been favored in measurable degree by the support that his British colleague, or even his German colleague, has had, the record of his stewardship in this department of business would show at least equal achievement with theirs.

On the other hand, the crown of genius in organizing is certified to the American manufacturer by the annals of domestic commerce. Whether or not he has offended good economics in bringing about a concentration of control in various industries to the degree of domination—virtually monopoly—is a question upon which public opinion and "big business" are not in complete accord. Yet, public opinion is the only foundation upon which "big business" can build an enduring structure. It may be likened to the elements, which, when challenged recently by one of the latest and greatest of modern steamships, made necessary a radical diminution of top weight to insure stability. If it is wise in any given case or cases to carry "organizing" to the extent of eliminating the merchant, other manufacturing interests are injured. Those interests which are powerful enough to do so will follow the example, thus establishing a multiplicity of independent agencies and increasing the cost of distribution, while the large majority of manufacturers who cannot carry stocks in every consuming market or offer the necessary credit facilities will suffer the loss of trade which now depends on the activities of the merchant, because, at least in an important degree, his occupation will be gone.

Responsibilities attend the power that "big business" wields. From an economic standpoint, the commerce of a country thrives or languishes taken as an entirety, not as it relates to any of its component parts. The conditions under which it has prospered in the most enlightened and successful commercial nations are the conditions under which it is most likely to prosper with us. Improved transportation facilities have long since assured commerce against any curtailment that might result from undue profit to the merchant. The scarcity of American merchants in foreign countries is directly due to the conditions above set forth: the lack of support and encouragement whence they should logically come. Those who are already established abroad would welcome others on terms of equality, because each newcomer assists in developing an atmosphere in favor of American products, and an accretion of business naturally comes to the older houses in proportion to the confidence they have inspired. When, however, American goods are put into the hands of foreign merchants and serve as a means to enable them to develop anti-American trade, which is not a theory but an oft-repeated condition, then if the merchant shares the prevailing sentiment of the officers in our Army and Navy as Huerta gets supplies, who is to criticize him?

OUR DEPENDENCIES

By Hon. W. Cameron Forbes

(Former Governor-General Philippine Islands)

The territorial expansion of the United States has taken two forms, one of which was a natural and inevitable growth, namely, taking additional territory on our own continent, and the other has been the acquisition of overseas dependencies. With the first of these I will not further concern myself. A different set of problems confronts us when we undertake the acquisition and retention of territory which can only be reached by sea, such as Alaska, the Sandwich Islands, Midway Island, Guam and the Philippine Islands on the west, and Panama, Swan Island and Porto Rico on the east. It is probable that more territory would have been added had it not been for the fear of the extension of the slavery areas in the antebellum period of our development, when there existed a sentiment, which has not yet subsided, against territorial acquisitions—a sentiment which is still very strong throughout the American people, in spite of the fact that we are generally acquisitive and have never yet given up any territory of which we have once become possessed.

Many people think that the maintenance and control of distant dependencies are not in accordance with our institutions, particularly where these people are held under political institutions imposed upon them by the United States and not accepted by themselves. The Philippine Islands have a political status different from any other of our possessions. They belong to the United States, but are not part of them. They are subject to our sovereignty, but do not come under the Constitution. They are, as was once expressed to me by a very keen observer, treated as domestic for foreign purposes and as foreign for domestic purposes. They can be properly classified as ex-territorial possessions.

I see no objection to this arrangement, nor do I see any reason why we should not have an ex-territorial department for the administration of such countries, so that when we take control, temporarily or permanently, of alien or partially developed peoples we should not be obliged to give them citizenship and privileges under the Constitution, such as the trial by jury, for which they may not be ready, but that we should give them instead the best government we know how and such institutions as are calculated to meet the requirements of the situation. This ex-territorial department, as I call it, should be considered a sort of a suspense account, into which countries over which the United States has assumed either temporary or permanent control might be placed and held there, with the idea that their future political status was to be made a matter of later determination. It is not my idea that the United States should permanently hold alien peoples under its dominion and against their will, but the political relation should follow the economic one and adapt itself to it, and until the economic relation was established, the political relation should be held in abeyance. Later, at the proper time, when the people were sufficiently developed to have an opinion of their own and express it, the nature of the federation between the two countries could be easily adjusted in a manner satisfactory to both.

The people of the United States have demonstrated what we all now believe to be a great fundamental truth of political development, namely, the collective wisdom of the people when called upon to govern themselves, and we believe that this collective wisdom is greater than can be individual wisdom. To have it, however, representing the whole people and not only a class or a few, we must have the whole people educated; we must have them literate and we must have them informed. In other words, they should speak a common language; they should be able to

inform themselves by reading as to the various acts of Government and the problems of the day; and if this is done, the result should be, according to our theories, a Government for the best interests of the whole people.

Under a Government that has approximated more or less closely these ideals, the United States has grown and prospered more than has any other country in the same period of time. There is more freedom of the individual, more stimulus for individual effort, more opportunity for development and more progress than would be possible under any system where individual opportunity is discouraged and where the stimulus for individual effort is less. It is this development of the individual, with its resultant progress, that the United States is endeavoring to give to other countries. The results of these privileges given in Porto Rico and the Philippines have been little less than startling.

The trade of Porto Rico with the United States, under the stimulating influence of our institutions, is best shown by the following table. 1895 is taken as a fair sample year under Spanish rule.

	Imports		Exports	
	U. S.	Foreign	U. S.	Foreign
1895.....	$1,833,544	$15,001,909	$1,506,512	$13,739,127
1900.....	4,640,431	9,989,505	3,078,415	6,612,499
1905.....	13,387,457	2,562,189	15,527,265	2,721,683
1910.....	26,478,106	3,537,201	32,095,788	5,822,602
1913.....	32,223,191	3,745,057	40,529,665	8,549,451

The Philippine Islands show the astonishing increase of $500,000.00 in growth of business and trade in four years of free trade. The sum of the business and trade at the end of this period is almost double the amount for the last year before the passage of the Payne Bill.

It is, however, becoming pretty well established that the adoption of a Constitution and the nominal setting up of a republic before the people are ready for it is accompanied with most unfortunate results. Following the establishment of the republic in the United States, many European countries adopted Constitutions and there was a general wave of demand for popular government which swept through Europe and has profoundly influenced the form of government established since that time throughout the world, but the fact that the people were not ready, that the great masses were not educated up to a point where they could protect themselves, where conditions were not favorable in other words, resulted in a serious set-back to the whole cause. Many countries found themselves nominally republics, but really under a despotism pure and simple, as was the case in Mexico, as is the case in certain of the Central and South American republics of to-day, and as seems to be the case in China. The first result of the failure in Europe was a swinging of the pendulum toward monarchy, from which a few countries emerged, like France and Switzerland, but these countries are noted for the wide distribution of property and the high intelligence of the poorer classes.

Any study of dependencies at this time will be incomplete without a word on the Mexican situation. Any arrangement of the present Mexican problem which does not involve the establishment of a strong central control, capable of maintaining order, administering the finances, justice and the executive branches of the Mexican Government will prove in the end to be no solution but just merely a postponement of the solution, if it amounts even to that, and the real crux of the matter will have to be taken up again and solved later.

But this article is concerned with the economic side of our relations with dependencies. The question is always asked by the material Americans, "Does it pay; do we get value received from these enterprises, and are the Philippines and Porto Rico commercially valuable to us?" Porto Rico and the Philippines are wholly different propositions and must be treated separately. Roughly speaking, however, it can be said that with our own possessions we have reciprocal trade relations, which means that the bulk of the products of the countries concerned is sold in the United States and the bulk of their purchases are made in the United States, and the balance of trade is not very great for or against any of these dependencies.

The advantage of owning these countries from which we buy our tropical products is that we have reciprocal trade relations with them and they buy of us our manufactures and other articles which they use, instead of sending their money abroad with which to purchase foreign-made goods. Thus the annual imports and exports from the Philippine Islands to the United States are about equal, whereas with almost all South American countries the balance of trade is largely to our disadvantage, aggregating many millions of dollars a year. The Philippine Islands can produce a very considerable and important part of the tropical products consumed in the United States, as follows: Sugar, copra, tobacco, hemp, rubber, gutta-percha, hardwood lumber, pearls, and perhaps silk, tea, coffee and camphor. In return they buy from us cotton goods, manufactures of steel, machinery, wheat and bread foodstuffs, and a thousand and one other things which will go to build up our home manufactures, employ our people and improve the condition of our country.

It is not, however, only as a consumer of our products that the Philippine Islands are available to us. Their present population is about 8,000,000. There is enough good land on the Islands to support a population of 50,000,000. Their potential trade is many times their actual trade. Not only could the numbers be greatly increased, but the purchasing power of each individual in those added numbers could be greatly increased. If a policy of attracting capital should be consistently carried out, by the installation of machinery, making labor more effective, improving means of transportation, freight handling, and by increasing the value of labor, by increasing its productivity by more scientific methods in agriculture and manufacture, the per capita purchasing power of the people might easily be quadrupled over its present figures.

And then, again, there is another feature to be considered. The Pacific Ocean is unquestionably the future theatre of the world's commerce. That country which has the greatest mileage on the Pacific will have the greatest commercial advantages. The shore line of the Philippine Islands is 11,000 miles.

Moreover, the position of the Philippine Islands as a depot to reach out for the China trade is one of the utmost importance. These Islands lie on the direct line from San Francisco and Honolulu to the Suez Canal. They fence off the English, German, French, Dutch and Chinese possessions from the Pacific and, as such, hold a commanding strategic position. There is no reason why Manila should not be one of the world's greatest emporiums of trade. There should be established there a free port and when the great nation of China rises in its might and comes to its own, with its 400,000,000 of people, the possession of this depot of American products at Manila will be of such inestimable value in the development of our future Oriental trade that the factor of cost of the Islands, now a matter of the past, as the Islands are civilly self-supporting, will seem so trivial that one would no more raise the question of the value of the Philippine Islands to the United States than would the economist of to-day question the wisdom of the Louisiana Purchase, or the annexation of Texas, New Mexico, Arizona and California.

THE PROVISIONAL CONSTITUTION OF THE CHINESE REPUBLIC

The amended Constitution for the Republic of China was promulgated on May 1. It supersedes the Temporary Provisional Constitution, and will be in force until superseded in turn by a Permanent Constitution, which is not, however, likely to do more than amplify certain clauses. The following is the document in full:

CHAPTER I. THE NATION.

Article 1. The Chung Hua Min Kuo is composed of the people of Chung Hua.

Article 2. The sovereignty of the Chung Hua Min Kuo originates from the whole body of the people.

Article 3. The territory of the Chung Hua Min Kuo is the same as her old possessions.

CHAPTER II. CITIZENS.

Article 4. Citizens of the Chung Hua Min Kuo are all equal in law, irrespective of race, caste, or religion.

Article 5. Citizens are entitled to the following rights of liberty:

(1) No citizen's person shall be arrested, imprisoned, tried or punished except in accordance with law.

(2) The habitation of any citizen shall not be entered or searched except in accordance with law.

(3) Citizens have the right of possession and protection of property and the freedom of trade according to law.

(4) Citizens have the right of freedom of speech, of writing, and publication, of meeting and organizing association, in accordance with law.

(5) Citizens have the right of the secrecy of correspondence in accordance with law.

(6) Citizens have the liberty of residence in accordance with law.

(7) Citizens have freedom of religious belief, in accordance with law.

Article 6. Citizens have the right to memorialize the Li Fa Yuan according to the provisions of law.

Article 7. Citizens have the right to institute proceedings at the judiciary organ in accordance with the provisions of law.

Article 8. Citizens have the right to petition the administrative organs and lodge protests with the Administrative Court in accordance with the provisions of law.

Article 9. Citizens have the right to attend official examinations and to join the public service in accordance with the provisions of law.

Article 10. Citizens have the right to vote and to be voted for in accordance with the provisions of law.

Article 11. Citizens have the obligation to pay taxes according to law.

Article 12. Citizens have the obligation to serve in a military capacity in accordance with law.

Article 13. The rights and obligations provided in this chapter, except when in conflict with the army or naval orders and rules, shall be applicable to military and naval men.

CHAPTER III. THE PRESIDENT.

Article 14. The President is the head of the nation, and has the controlling power of the administration.

Article 15. The President represents the Chung Hua Min Kuo.

Article 16. The President is responsible to the citizens.

Article 17. The President convokes the Li Fa Yuan, declares the opening, the suspension, and the closing of the sessions.

The President may dissolve the Li Fa Yuan with the approval of the Tsan Cheng Yuan; but in that case he must have the new members elected and the House convoked within six months from the day of dissolution.

Article 18. The President shall submit bills of law and the budget to the Li Fa Yuan.

Article 19. For the purposes of improving the public welfare or enforcing law or in accordance with the duties imposed upon him by law, the President may issue orders and enforce the orders, but he shall not alter the law by his order.

Article 20. In order to maintain public peace or to prevent extraordinary calamities at a time of great emergency when time will not permit the convocation of the Li Fa Yuan, the President may, with the approval of the Tsan Cheng Yuan, issue orders of instruction which shall have the force of law; but in that case he shall ask the Li Fa Yuan for indemnification at its next session.

The orders of instruction mentioned above shall become void when they are rejected by the Li Fa Yuan.

Article 21. The President shall fix the official systems and official regulations, and appoint and dismiss military and civil officials.

Article 22. The President shall declare war or conclude peace.

Article 23. The President is the commander-in-chief of and controls the army and navy, and shall decide the system of organization and the respective strength of the army and navy.

Article 24. The President shall receive the Ambassadors and Ministers of the foreign countries.

Article 25. The President has the authority to make treaties. But the approval of the Li Fa Yuan must be secured if the articles should change the territories or increase the burdens of the citizens.

Article 26. The President may, according to law, declare martial law.

Article 27. The President may confer titles of nobility, decorations, and other insignia of honor.

Article 28. The President may declare a general amnesty, special pardon, commutation of punishment, or restoration of rights. In case of general amnesty the approval of the Li Fa Yuan must be secured.

Article 29. When the President, for any cause, vacates his post or is unable to attend to his duties, the Vice-President shall assume his duties and authority in his stead.

CHAPTER IV. THE LEGISLATURE.

Article 30. Legislation shall be done by the Legislature organized with the members elected by the people. The organization of the Legislature and the method of electing the legislative members shall be fixed by the Provisional Constitution Conference.

Article 31. The duties and authorities of the Li Fa Yuan shall be as follows:

(1) To discuss and pass all bills of law.

(2) To pass the budget.

(3) To pass or approve articles relating to raising of public loans and national financial responsibilities.

(4) To reply to the inquiries addressed to it by the Government.

(5) To receive petitions of the citizens.

(6) To bring up bills on law.

(7) To bring up suggestions and opinions before the President regarding law and other affairs.

(8) To bring out the doubtful points of the Administration and request the President for an explanation; but when the President deems it necessary for a matter to be kept secret he may refuse to give the answer.

(9) Should the President attempt treason, the Li Fa Yuan may institute judicial proceedings in the Supreme Court against him by a three-fourths or more vote of a four-fifths attendance of the total membership.

Regarding the clauses from 1 to 8 and articles 20, 21, 23, 25 and 27, the approval of a majority of more than half of the attending members will be required to make a decision.

Article 32. The regular annual session of the Li Fa Yuan will be four months in duration; but when the President deems it necessary it may be prolonged. The President may also call special sessions when it is in session.

Article 33. The meetings of the Li Fa Yuan shall be "open sessions," but they may be held in secret at the request of the President or the decision of the majority of the members present.

Article 34. The law bills passed by the Li Fa Yuan shall be promulgated by the President and enforced.

When the President vetoes a law bill passed by the Li Fa Yuan he must give the reason, and refer it again to the Li Fa Yuan for reconsideration. If such bill should be again passed by a two-thirds vote of the members present, as the Li Fa Yuan, but at the same time the President should firmly hold that it would greatly harm the internal administration or diplomacy to enforce such law, or there will be great and important obstacles against enforcing it, he may withhold promulgation with the approval of the Tsan Cheng Yuan.

Article 35. The Speaker and Vice-Speaker of the Li Fa Yuan shall be elected by and from among the members themselves by ballot. The one who secures more than half of the votes cast shall be considered elected.

Article 36. The members of the Li Fa Yuan shall not be held responsible outside for their speeches, arguments, and voting in the House.

Article 37. Except when discovered in the act of committing a crime or for internal rebellion or external treason, the members of the Li Fa Yuan shall not be arrested during the session period without the permission of the House.

Article 38. The House laws of the Li Fa Yuan shall be made by the House itself.

CHAPTER V. THE ADMINISTRATION.

Article 39. The President shall be the Chief of the Administration. A Secretary of State shall be provided to assist him.

Article 40. The affairs of the Administration shall be separately administered by the Ministries of Foreign Affairs, of Interior, of Finance, of Army, of Navy, of Law, of Education, of Agriculture and Commerce, and of Communications.

Article 41. The Minister of each Ministry shall control the affairs in accordance with orders.

Article 42. The Secretary of State, Ministers of the Ministries, and the special representative of the President may take seats in the Li Fa Yuan, and express their views.

Article 43. The Secretary of State or any of the Ministers when they commit a breach of law shall be liable to impeachment by the Censorate (Suchengting), and trial by the Administrative Court.

CHAPTER VI. THE JUDICIARY.

Article 44. The judicial power shall be administered by the judicial officials appointed by the President. The organization of the Judiciary and the qualifications of the judicial officials shall be fixed by law.

Article 45. The Judiciary shall independently try and decide cases of civil and criminal law suits according to law. But with regard to administrative law suits and other special law cases they shall be attended to according to the provision of this law.

Article 46. As to the procedure the Supreme Court should adopt for the impeachment case stated in clause 9 of Article 31, special rules will be made by law.

Article 47. The trial of law suits in the judicial courts should be open to the public; but when they are deemed to be harmful to peace and order or good custom, they may be held in camera.

Article 48. The judicial officials shall not be given a reduced salary or removed from their posts when functioning as such, and except when a sentence has been passed upon him for punishment or he is sentenced to be removed a judicial official shall not be dismissed from his post.

The regulations regarding punishment shall be fixed by law.

CHAPTER VII. THE TSAN CHENG YUAN.

Article 49. The Tsan Cheng Yuan shall answer the inquiries of the President and discuss important administrative affairs.

The organization of the Tsan Cheng Yuan shall be fixed by the Provisional Constitution Conference.

CHAPTER VIII. ACCOUNTS.

Article 50. Levying of new taxes and dues and change of tariff shall be decided by law.

The taxes and dues which are now in existence shall be continued to be collected as of old except as changed by law.

Article 51. With regard to the annual receipts and expenditures of the nation, they shall be dealt with in accordance with the budget approved by the Li Fa Yuan.

Article 52. For special purposes continuous expenditures for a specified number of years may be included in the budget.

Article 53. To prepare for any deficiency of the budget and expenses needed outside of the estimates in the budget, a special reserve fund may be provided in the budget.

Article 54. The following items of expenditures shall not be cancelled or altered except with the approval of the President:

(1) Any duties belonging to the nation according to law.

(2) Necessities stipulated by law.

(3) Necessities for the purpose of carrying out the treaties.

(4) Expenses for the army and navy.

Article 55. For national war or suppression of internal disturbance or under unusual circumstances when time will not permit to convoke the Li Fa Yuan, the President may make emergency disposal of finance with the approval of the Tsan Cheng Yuan, but in such case he shall ask the Li Fa Yuan for indemnification at the next session.

Article 56. When a new budget cannot be established, the budget of the previous year will be used. The same procedure will be adopted when the budget fails to pass at the time when the fiscal year has begun.

Article 57. When the closed account of the receipts and expenditures of the nation have been audited by the House of Audit, they shall be submitted by the President to the Li Fa Yuan for approval.

Article 58. The organization of the House of Audit shall be fixed by the Provisional Constitution Conference.

CHAPTER IX. CONSTITUTION MAKING.

Article 59. The Constitution of Chung Hua Min Kuo shall be drafted by the Constitution Draft Committee, which shall be organized with the members elected by and from among the members of the Tsan Cheng Yuan. The number of such drafting committee shall be limited to ten.

Article 60. The bill on the Constitution of Chung Hua Min Kuo shall be fixed by the Tsan Cheng Yuan.

Article 61. When the bill on the Constitution of the Chung Hua Min Kuo has been passed by the Tsan Cheng Yuan, it shall be submitted by the President to the Citizens' Conference for final passage.

The organization of the Citizens' Conference shall be fixed by the Provisional Constitution Conference.

Article 62. The Citizens' Conference shall be convoked and dissolved by the President.

Article 63. The Constitution of Chung Hua Min Kuo shall be promulgated by the President.

CHAPTER X. APPENDIX.

Article 64. Before the Constitution of Chung Hua Min Kuo comes into force this Provisional Constitution shall have equal force to the Permanent Constitution.

The orders and instructions in force before the enforcement of this Provisional Constitution shall continue to be valid, provided that they do not come into conflict with the provisions of this Provisional Constitution.

Article 65. The articles published on the 12th of the second month of the first year of Chung Hua Min Kuo, regarding the favorable treatment of the Ta Ching Emperor after his abdication, and the special treatment of the Ching Imperial clan, as well as the special treatment of the Manchus, Mongols, Mohammedans and Tibetans shall never lose their effect.

As to the articles dealing with the special treatment of Mongols, it is guaranteed that they shall continue to be effective, and that they will not be changed except by law.

Article 66. This Provisional Constitution may be amended at the request of two-thirds of the members of the Li Fa Yuan, or the proposal of the President, by a three-fourths majority of a quorum consisting of four-fifths of the whole membership of the House. The Provisional Constitution Conference will then be convoked by the President to undertake the amendment.

Article 67. Before the establishment of Li Fa Yuan the Tsan Cheng Yuan shall have the duty and authority of the former and function in its stead.

Article 68. The Provisional Constitution shall come into force from the date of promulgation. The Temporary Provisional Constitution promulgated on the 11th day of the third month of the first year of the Min Kuo shall automatically cease to have force from that date.

THE UNITED STATES BUILDING IN SHANGHAI

The Executive Committee of Association has transmitted the following resolution to Washington, sending copies also to the President and the Secretary of State:

Whereas, The option on the leased property situated on the waterfront of the great Chinese port of Shanghai, and now occupied by the offices of the Consulate General of the United States and the United States Court for China, is about to expire; and

Whereas, The present location of the Consulate and Court is undoubtedly the best now available in Shanghai, and failure to provide an appropriation for the acquisition of the property would compel the Consulate and the Court to move into quarters much less desirable and less compatible with the preservation of the dignity of this Republic which counts for a great deal in the commercial competition of the Far East; be it therefore

Resolved, That the American Asiatic Association, composed of exporters and importers, merchants, manufacturers and bankers, doing business with China, respectfully and urgently request your committee to take favorable action in regard to the making of an appropriation adequate to the provision of a suitable building for the accommodation of our country's offices in Shanghai; also

Resolved, That, in order to testify to the unanimous conviction of the Association in regard to the pressing necessity of such action, the Executive Committee of the Association has directed the President and Secretary to append their signatures to these resolutions for transmission to the Chairman of the Committee on Appropriations of the Senate and the Committee on Appropriations of the House of Representatives of the United States.

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New York City.

WHEN Henry Willard Denison took service under the Emperor of Japan as legal adviser to the Foreign Office, the foreign pioneers in the work of Westernizing the Japanese system all had established themselves in Japan, and he found their work far advanced. Many of them were Americans—two having preceded him in his own office. Others had created the educational system, and railways and communications on American models.

Mr. Denison's work was peculiar and those who had gone before had prepared the ground for it. Having inaugurated methods of government which are the basis of equality among Western nations that beset all peoples, Japan was faced with the task of capturing that reluctant, elusive slattern the Athenian or Roman jade Justice. Japan was looking for means to lift that oppression of the weak which comes from contact with a strong civilization; the inequalities and hardships of treaties which European civilization had imposed upon her, the abuses that had grown up in connection with concessions extracted from her, and in general the evils incident to the rôle of the unlike, the inoffensive and the plunderable civilization.

It was Henry Willard Denison's work to trace the subtle Western injustice and injury, and to shame the brutal imposition and robbery from the land. A characteristic reference to him by a contemporary writer is that by Hon. John W. Foster, who, in 1909, spoke of him in connection with his presence at Shimonoseki in 1895 with Marquis Ito, as "an intelligent and able American who had held the post [Advisership to the Japanese Foreign Office] for several years." Although he then had two-thirds of his Japanese career behind him the hand of the Vermonter behind the throne of Japan was like those objects which furnish the mystery in Japan's characteristic pictures—all but unseen. Mr. Denison was then engaged with Marquis Ito on the Treaty of Shimonoseki. He survived the humiliations that were visited upon Japan after that Treaty. He saw the gradual recovery of Japanese rights in the islands of Japan and witnessed the winning of the long fight for the abolition of extraterritoriality. His work has been without acclaim, and is buried for the most part in the secret archives at Tokio.

It is something of a triumph for Yankees that the Japanese who themselves know how to bide their time learned about waiting from Henry Willard Denison. He

waited upon the efficacy of patience and reason and almost outlived the burning foreign criticisms that beat upon the foreign advisers who did the legal work of revising the unjust foreign concessions and uncouth treaties with which the progress of Japan was burdened after its opening to foreign intercourse. He survived the generation of assassins and assassination with which Japan was distressed after that opening, and which had a recruit in Li Hung-chang's assailant as late as 1895. Perhaps because only of the fact that he had become indispensable at Tokio did he escape the missile of the assassin that killed his junior, Durham White Stevens, who had been placed on the firing line in Korea, or that which killed Prince Ito. He lived through the first great formative era in East Asia and helped to unfold the drama of Japan's rise. He lived to see nearly all the inequalities against Japan removed—all but those due to race. This latter problem engaged almost all his attention during the last two years of his life. And the man who had helped to unravel all the great legal and diplomatic tangles that had arisen between the nations of two civilizations in the Empire of Japan seemed to meet his fate in the hard problem of Japanese immigration. It was one of the surprises and disappointments of Mr. Denison's life when in 1913 he discovered that the State Department's negotiations in the "California Land Case" were not being conducted by Mr. John Bassett Moore and that the officially authorized publications on the international relations of the United States edited by that gentleman were not dependable in their precedents as a guide to, and indication of, the reasoning of our Government. Those who continue the great work of fixing Japan's place in the world will believe in the solution of all difficulties between her and Western races. But observers will interpret as of ominous import the announcement from Tokio a few days before Mr. Denison's death that the Japanese regarded their case in the California question as lost. They seemed entitled to look upon Mr. Denison—the more so because he was an American—as the only staff on which to depend and seem to have staked all hope upon him, in this matter. That he was held by the Japanese in peculiar esteem is shown in the funeral honors bestowed upon him. The press dispatches announce his burial beside the late Count Komura. As pointed out in the New York Times by the writer, there is a significance in this, and perhaps the most subtle honor such as the Japanese are capable of. In Mr. Denison's career nothing was more significant than the diplomacy of the Japanese Foreign Office in connection with the Russo-Japanese War. In the course of time it will become known that the real Portsmouth Treaty is embodied in the secret Minutes of the Conference between the Peace Plenipotentiaries. It was through those things devised in the Minutes, having to do with the living beside one another, year by year, of Russia and Japan, that the latter indemnified herself in lieu of money payment from Russia. By those Minutes Japan secured the foundations of an empire on the Continent—in other words, a whole plan of state—which is the "Greater Japan" of to-day, and, the Japanese hope, forever. In those Minutes Japan secured from Russia support of all claims of equality of right with Russia on the Continent on the basis of the doctrine of equal rights, but in particular the basis of all precedents and agreements enjoyed by Russia. Mr. Denison, who participated in the negotiations, gave the credit entirely to Komura and called him the greatest of modern Japanese.

After the Russo-Japanese War and after Komura's death, Mr. Denison participated in the important work of keeping on good terms with Russia, and in particular keeping the Russo-Japanese understanding on the Continent couched always in such general terms as to avoid the possibility of the fixing of a definite line of demarcation between Russian and Japanese regions and interests, thus not only avoiding all kinds of difficulties, but providing Japan's people every opportunity for expansion and the pushing of the final line of demarcation to the remotest point.

Mr. Denison was devoted to his work in the Japanese Foreign Office. He did not interest himself in many things outside. He was a Member of the Hague Tribunal, but he did not have any appreciable faith in it. He was very well acquainted with all the machinery of international relations, and also of the needs and aspirations of nations concerned in the affairs which center around Manchuria, which is a better basis for the friendship toward nations which he had, and which made him so useful, and enabled him to accomplish so much.

Some time ago Mr. Denison told a friend that he would not leave any memoirs behind him, and that at the hour of his death the Foreign Office would send a deputy to take charge of whatever papers might be in his house. Posterity, therefore, will have to rely upon the Emperor of Japan for a history of his life. Not only Mr. Denison but the Japanese regarded Komura as the great Japanese of his time. And now they have buried these men together.

NUMEROUS American advisers were recommended to the Chinese on the occasion of the revolutionary rebellion of 1911-12. It fell to Dr. Frank Goodnow to undertake the task of adviser on constitutional matters to the President, Yuan Shih-k'ai.

The incapacity of the Chinese to accept advice or to utilize foreign assistance in their internal affairs made very doubtful the issue of this undertaking, especially as the American temperament does not easily lend itself to inaction even on high salary, and it seemed less likely that an American could discover the secret of successfully giving friendly advice to the Chinese which had never been discovered by anyone else. China had had other advisers and during years their duties were nil. Marco Polo was made useful by the Mongols, the Jesuits and the distinguished Americans, Frederick Ward and Anson Burlingame, by the Manchus; but there is no record of the Chinese in their internal affairs voluntarily ever having

been able to digest the acrid suggestion to do so, and grasp the help that comes from without.

And there is no reason to believe that this would not have been the case with reference to Dr. Goodnow in normal conditions—and China is pre-eminently the land of normal conditions. When he arrived in Peking in June, 1913, there was a Chinese Constitution Drafting Committee sitting and it made no use of Dr. Goodnow, who in this connection was eminently lost in Peking. Warned beforehand of the probable fate of his mission, he prepared to make the most of it and acquit himself of his responsibilities. He made a study on the ground of China's life, institutions and civilization, and determined in his own mind the position of the Chinese in their development in self-government. Fortunately, before the time came for him to quit China the revolutionary idealists had revolted, the Constitution makers had overstepped themselves and all together were swept away by the men upon whom the existence of China for the time being rested, principally the President, Yuan Shih-k'ai. Thus the way was opened for the sound commonsense findings of Dr. Goodnow to prevail. After issuing his revised Constitution, May 1, 1914, President Yuan Shih-k'ai said: "I have followed to the letter Dr. Goodnow's recommendations." In the light of history this is one of the striking evidences that seems to give proof to the claim so commonly made that Yuan Shih-k'ai in nearly three hundred millions of Chinese is eminently a man alone. The fact that Dr. Goodnow's elementary and direct logic reached Yuan Shih-k'ai and guided him in the occasional Titan blows by which he is able to slowly shape a government for China should carry great weight in this country and give good grounds for accepting as satisfactory the present policy at Peking. The Memoranda on Constitutional Government of Dr. Goodnow wrested success for his mission and inspires general congratulation as he comes to the Presidency of Johns Hopkins University.

HON. W. W. ROCKHILL concludes in these pages his report on the internal conditions and prospects of China. The wisdom of his conclusions undoubtedly lies in the belief that the present government of China and that for a long time to come must be a modification of the advanced systems of other and modern states adjusted to her needs. That part of Western civilization which thinks or wishes another Europe or America in East Asia errs. Not only the existence of different races there, but the race problem itself is enough to make that impossible within any reckonable time, if at all. And in this connection it must be remembered that nations like our own which refuse to take measures in advance to meet the race and language, economic, political and other conditions of present and future neighborhood and intercourse in East Asia until the conditions approximate those where Western races and civilization prevail, not only err but become criminal.

It is a well-known fact that the ablest Chinese consider that China's ultimate government must be fashioned under unknown future conditions and that the present heads of affairs can lay only the rough foundations of what no man knows is to be. In Mr. Rockhill's report appear these and other views, many of which, because they come from the counsels of the mighty to which he had access, obviously are anonymously reported.

It was to be expected that Mr. Rockhill's knowledge of his task, and the facilities which he commanded in East Asia, would give his reports made for the Asiatic Institute a combination of authority from both civilizations. Foremost of possible qualified advisers recommended to the Chinese after the revolutionary rebellion as likely to be of the greatest use to them during the era of reconstruction was Mr. Rockhill. At that time he was unavailable to China. But while on his mission to central and eastern Asia for the Asiatic Institute, President Yuan Shih-k'ai asked him to remain in China. He declined for the reason that, to use Mr. Rockhill's words, he could not consider terms of final expatriation by confinement to China and after long public service abroad as an American diplomat he was determined to settle down in his own country. However, he proposed to assist the President, and, as an alternative, to come to China at intervals as a paid adviser. This opportunity President Yuan Shih-k'ai gladly accepted. Having finished his Mission for the Asiatic Institute and as the immediate outcome of that Mission Mr. Rockhill henceforth takes up his work of Adviser to the President of China. He strongly supports the work of Dr. Goodnow, who, while retiring from China, remains in a similar position as a counsellor on Constitutional matters, on call. In this manner China retains two distinguished American advisers.

THERE are many evidences that the Western conscience cannot be satisfied until the plunder of Asiatic peoples by those of European civilization is eliminated from the processes of commerce and trade and finally given up. The unqualified support given by the Department of State to the movement for the suppression of vandalism in China is an indication of this. But aside from ethical, there are the most practical reasons for urgent progress toward justice and order in East Asia. As pointed out in the Asiatic Institute's memorial to Secretary of State Mr. Bryan, the welfare of China is closely associated with the future of society in this hemisphere. Whatever tends to break down Chinese society is a menace to civilization, especially to European civilization in the Pacific Basin.

Chinese society during the ages has shown a power of successful resistance to internal social disorder. But the demoralizing power of foreign crimes and abuses is manifestly beyond her control, especially under the conditions of extraterritoriality and other treaty inequalities which prevail. It is a well-known fact that these inequalities have contributed to the making of China a last resort for buccaneers and other criminal adventurers. Their operations have had official protection and in some cases have supplied the chief income of foreign officials. For the most part China has been exploited from Europe, and Europeans more active than ourselves there annually bring the gleanings of vandalism in China to our shores for profit. These crimes are promoted chiefly by the French. Society in this hemisphere is obliged to take measures against European crimes in the Pacific. It cannot subsidize in the Atlantic the execution of crimes and abuses in the Pacific. No kind of commerce and trade can be permitted to go back to piracy. As a matter of general policy our country will be obliged to take at the back door in the Pacific the means for opposing European and all other abuses which it has found necessary at the front.

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, 1913 and 1914.

EXPORTS TO CHINA.

Months.	Cotton Cloths. Yards.		Mineral Oils (illuminating). Gallons.		Wheat Flour. Barrels.	
1912						
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
November	4,465,586	312,753	4,610,300	267,220	1,626	6,591
December	4,140,282	285,499	3,208,710	266,649	8,096	30,853
1913						
January	7,096,890	481,040	2,988,096	134,464	11,264	44,611
February	7,005,113	489,324	3,385,530	293,367	35,988	139,183
March	8,576,182	561,677	7,817,080	442,421	47,313	178,385
April	10,679,063	743,675	7,110,600	642,584	19,450	76,933
May	14,491,282	1,022,369	13,645,100	955,947	240	971
June	11,866,362	835,725	13,914,180	1,178,370	100	400
Total	80,461,847	$5,584,985	79,015,610	$5,761,597	127,814	$493,364
July	13,861,576	947,287	7,367,800	400,559	8	48
August	5,839,825	398,458	2,029,963	101,498	3,128	12,545
September	12,126,195	815,514	7,188,242	388,354	13,763	53,191
October	8,478,971	606,864	5,586,934	403,697	36,881	150,509
November	6,030,732	414,584	11,169,900	763,814	22,163	80,728
December	10,123,497	696,682	1,587,995	142,924	19,403	76,033
1914						
January	5,834,057	374,844	5,862,678	550,580	20,438	83,928
February	5,917,505	386,094	3,933,710	365,668	9,128	37,567
March	3,480,246	234,926	10,357,055	761,109	6,842	25,543
April	7,774,295	523,534	10,576,471	850,158	1,192	4,960
May	4,649,948	343,630	6,672,558	633,491	863	3,825
June	5,039,603	353,991	13,673,612	986,760	2,565	11,277
Total	89,156,450	$6,096,408	86,006,918	$6,348,612	136,374	$540,154

EXPORTS TO HONGKONG.

1912						
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
November	60,138	9,400	600,000	52,325	101,682	401,414
December	155,414	15,971	.....	.....	63,521	250,274
1913						
January	636,832	43,454	1,425,810	151,888	60,862	228,941
February	163,478	25,420	.....	.....	102,121	410,463
March	196,668	29,815	.....	.....	129,461	492,019
April	211,034	33,938	1,195,000	117,707	120,249	478,075
May	161,310	26,267	2,311,000	212,612	160,755	642,322
June	109,841	17,046	2,235,000	205,620	76,636	308,268
Total	2,116,819	$264,225	7,767,090	$740,181	1,301,306	$5,126,960
July	101,998	16,568	3,659,160	258,103	143,689	572,237
August	155,718	20,489	.....	.....	49,897	202,209
September	109,192	16,476	487,143	45,342	27,423	105,366
October	132,835	20,351	2,755,658	161,053	157,358	617,471
November	47,646	6,924	950,000	89,300	174,918	699,052
December	55,790	10,469	850,000	79,899	191,375	736,979
1914						
January	26,947	4,210	3,069,936	154,129	156,240	630,482
February	37,817	5,925	2,313,350	137,351	45,483	182,177
March	25,151	4,034	60,770	6,182	84,138	328,602
April	34,782	4,823	2,591,000	145,570	37,677	148,345
May	68,994	10,245	1,650,000	74,250	19,915	76,043
June	22,030	3,856	1,706,300	170,630	52,982	202,709
Total	818,900	$124,370	20,093,317	$1,321,809	1,141,095	$4,501,672

WASHINGTON, D. C., July 28, 1914.

DEPARTMENT OF COMMERCE,
Bureau of Foreign and Domestic Commerce.

Imports of Tea and Silk into the United States for the twelve months, ending April 30, 1912, 1913 and 1914.

TEA.	1912.		1913.		1914.	
Imported from	Pounds.	Dollars.	Pounds.	Dollars.	Pounds.	Dollars.
United Kingdom	12,887,949	3,538,200	12,238,114	3,619,098	14,077,601	3,858,970
Canada	2,558,583	734,769	3,024,508	874,544	3,112,383	864,814
China	17,605,670	2,260,949	23,728,418	3,247,761	20,139,342	2,755,512
East Indies	13,760,787	2,306,726	10,411,288	1,693,872	10,551,735	1,813,131
Japan	53,747,386	9,213,402	44,381,278	7,793,197	41,913,273	7,171,202
Other countries	846,441	153,095	1,029,194	205,216	1,336,481	271,673
Total	101,406,816	18,207,141	94,812,800	17,433,688	91,130,815	16,735,302
SILK.						
RAW, OR AS REELED FROM THE COCOON.						
Imported from	Pounds.	Dollars.	Pounds.	Dollars.	Pounds.	Dollars
France	91,387	334,660	130,354	382,823	66,230	236,228
Italy	2,058,456	7,467,623	2,802,455	10,420,913	1,997,428	8,781,430
China	4,776,506	11,399,407	5,510,607	13,536,714	5,926,745	15,918,730
Japan	14,493,131	47,316,331	17,425,353	57,192,420	20,196,212	71,344,861
Other countries	190,040	655,361	180,703	614,653	408,057	1,546,994
Total	21,609,520	67,173,382	26,049,472	82,147,523	28,594,672	97,828,243

HENRY WILLARD DENISON—STATESMAN

Adequate tribute to the life and service of Henry W. Denison, who died at Tokio on July 3d, is for better hands than mine, and it will be a distinct loss to the history of our people if his character and achievements are not recorded in substantial and permanent form. His biography should be written by some capable student of contemporary history. It would be the story of a great man—of a big life lived in unusual environment and singular circumstance.

It is an extraordinary and yet understandable fact that it is necessary to tell most Americans who Denison was and what he did, for he is almost unknown to them. He gained the first rank of state-craft in a foreign land, achieving a remarkable record in constructive politics, both domestic and international, and through it all remained unexploited and unknown. Two factors contributed to this unusual result, the first lying within the nature of his relationship to the government and people of Japan, the second in his own modesty and shyness.

Under normal conditions Denison, as a diplomat, would have taken rank with Lansdowne, Grey, Delcassé, or Hay, because he was easily their peer and quite as important a factor in contemporary diplomacy as any of them, but he worked in the shadow of a government and spoke always in the name of that government or in the voices of its own officials, and had no independent identity. It is manifest that the suppression of his identity and personality was essential to the success of his singular career.

Denison was born in Vermont in 1846, and at the close of his academic course determined to make the law his career. He wished to pursue his studies at Washington, and to further his plans his uncle, the late Charles A. Dana, secured for him a clerkship in the Treasury Department. He was in Washington, as a lad of eighteen, during the stirring days of the Civil War, but, according to his own story, which he told with a great deal of pleasure, his only bid for fame was as a baseball player. He was first baseman of the old Olympic team, one of the organizations upon which the modern leagues are based, and was rated as the best player in the position at the Capital. He never lost his interest in the game and continued to play in Japan for many years.

The War of the Restoration in Japan interested Denison in that country, and in 1868 he accepted an appointment in the American consular service and went to Yokohama under General Van Buren. At that time, and for many years afterward, the United States and other leading nations enjoyed extraterritorial rights in Japan and consular service had a large and intricate legal side. Foreigners were tried in the courts of their own countries and legal differences between foreigners and Japanese were adjudicated in the foreign courts. The legal questions of the time interested the young Vermont lawyer, and he devoted himself exclusively to the study of law.

Denison within a few years resigned his consular position and engaged in the practice of the law. He was exceedingly successful and speedily took rank among the best foreign counselors in the far east. His work attracted the attention of the Japanese Government, and in 1880 Count Inouye, now one of the elder statesmen of Japan and then Minister of Foreign Affairs, induced him to join the Foreign Office as legal adviser. Japan at that time was just entering upon its extraordinary period of reconstruction. The whole internal economy of the

country was undergoing change. New and modern political institutions were being established; a new system of education inaugurated; modern legal processes set in motion, and modern defensive and offensive forces organized. The country was also changing all of its external relationship. It had shortly before merged from seclusion and at the time was seriously hampered by the several foreign treaties imposed upon it when it came into relationship with the rest of the world. No man ever confronted a more interesting task than did Denison, and the best tribute to his success is found in the attitude of those whom he served. At his death, thirty-four years later, the Japanese Government in official proclamation hailed him as one of the greatest benefactors of the Japanese people and buried him beside Count Komura, the greatest of all Japanese diplomats.

It would be impossible to here record in detail all of the services of Denison to Japan. He aided in recasting the Empire's system of taxation; he was the close and trusted adviser of Count Mutsu during the conflict with China; he wrote the correspondence with Russia that preceded the war with that country; he was the chief counselor at the Foreign Office during the war with Russia; he accompanied Count Komura to Portsmouth to make the peace with Russia; he was the author of the so-called "Secret memoranda" that accompanied the treaty of peace; he led in the subsequent and supplementary adjustment of differences with Russia in Manchuria and Siberia; he was one of the representatives of Japan in The Hague Tribunal; he assisted in the negotiation of the first treaty of alliance with Great Britain, and was a party to the subsequent renewal of the alliance; he aided over a long period of years in the important work of treaty revision, and was consulted on practically every important foreign and domestic question dealt with by the Japanese Government throughout the long period of his employment.

Denison developed with his work, beginning with a good natural equipment and broadening always with experience. He had an extraordinary memory, and was at his best in the work which made the strongest appeal to him, namely, international law and relationship. He was familiar with the history of diplomacy, and had at the call of his memory the main facts and salient points of every important treaty of modern times. His outlook was worldwide; he kept himself thoroughly informed as to the condition and progress of every country having important relations with Japan, and with his clear vision, his courage and unusual training, made a great counselor for the Empire which he served so long. He was for peace and for fair play and his diplomacy was of the straightforward type.

In personal contact—in his home, at his club—Denison was a very attractive man. Of necessity, his close friendships were limited. He was modest and retiring, almost shy, and the highly confidential character of his relationship to the Japanese Government limited the sphere in which he moved. Foreign diplomats intrigued for his friendship and confidence—and probably never got them, for his career was not marred by a single indiscretion. It is related of him that during the negotiations for the treaty of alliance with Great Britain, properly regarded by the Japanese as the most important in all of their foreign relationship, Denison was one of four or five persons in the Empire who knew of the proposals. The others were the recently deceased Emperor, the late Marquis Ito, the Premier and the Minister of Foreign Affairs. The Japanese Government provided him with a handsome home near the Foreign Office in Tokio, and there he lived quite alone for many years. Mrs. Denison has long been an invalid and divides her time between Egypt and the South of France. They had no children. Probably his closest friend was the late Durham W. Stevens, who was assassinated in San Francisco by a Korean fanatic four years ago. In a way Stevens was a protégé of Denison, and had he lived would possibly have succeeded him at the Foreign Office in Tokio. Stevens served for a good many years as counselor of the Japanese Legation at Washington, and when Japan assumed control of Korea was transferred to Seoul as adviser to the new government. A great friendship existed between the two, and the grief of Denison at the death of Stevens could not have been greater had Stevens been his son.

Although he lived the greater part of his life abroad, Denison was always the stanchest of Americans. He was descended of a Colonial family and retained the keenest interest in all things American. He kept himself closely informed as to the progress and affairs of his country and followed its fortunes with unflagging interest. The Japanese had a greater regard for the dead statesman than any other foreigner with whom they have ever had contact. They gave him their confidence and trusted him implicitly, which is the highest honor that they can offer any foreigner. He had the same court rank and the same decorations as their greatest statesmen, and on a number of occasions the late Emperor gave substantial evidence of his appreciation of what Denison did for his government and his people.

Some years ago an effort was made to secure the services of Denison for our own State Department at Washington. Denison's superlative capacity had attracted the attention of both Secretaries Hay and Root, and when Lloyd Griscom was serving as Minister at Tokio he suggested the advisability of tendering to Denison the post of counselor at the State Department. Nothing was done at the time, and the plan was subsequently renewed when Huntington Wilson returned from the Japanese Mission to be Assistant Secretary of State. Denison was anxious to spend the last years of his life in his own country, among his own people, and the idea appealed to him very strongly. President Taft knew of Denison's capacity and accomplishments and admired him very much, the two having met at Tokio on several occasions, and favored the plan when it was recommended to him by Huntington Wilson. But nothing came of the effort, and in reality the Japanese would have refused to permit Denison's retirement from their Foreign Office. Not specially with the idea of entering the State Department at Washington, Denison had tendered his resignation to the Japanese Government. The response was a liberal increase in salary, a grant of long leave of absence and insistence that the relationship be permanent. The unhappy fact is that under our political system there is no real career for a diplomat of Denison's training and capacity, and had he joined the State Department at the time the tentative proposal was made to him the country would have lost his invaluable services upon the next national political change. The Japanese, better than we, know how to avail themselves of the services of great experts and specialists.

Denison was honored by every American in the far eastern group, and I venture the suggestion that the men of that group consider the plan of a permanent memorial to him. It might take the form of a tablet to be placed in India House, designed to be the headquarters in New York of Americans with over-sea interests.

MARTIN EGAN.

CHINA'S MONUMENTS

The memorial on vandalism in China addressed to the Secretary of State by the Asiatic Institute on behalf of more than fifty American organizations and eminent men and women in this country, and published in our July number, received the following reply:

"DEPARTMENT OF STATE,
"Washington, June 17, 1914.

"Frederick McCormick, Esquire,
"Secretary Asiatic Institute,
"27 West Sixty-seventh Street,
"New York City.

"Sir:—

"In reply to your letter of the 10th instant, addressed to the Third Assistant Secretary of State, enclosing two memorials, one to the Secretary of State and the other to Yuan Shih-K'ai, President of the Republic of China, on the subject of China's monuments, having particular reference to the preservation of Chinese antiquities, I have to acknowledge the receipt of the memorial addressed to me and to say that I am in hearty sympathy with the avowed objects of the China Monuments Society.

"Relative to the means which might be adopted by this Government for the suppression of vandalism, such as is described in your memorial, you are informed that the Department has copied your memorial to the American Minister at Peking for distribution to the Consuls of the United States in China with instructions that these representatives of the United States Government use all possible and proper endeavors to further the suppression of vandalism in China on the part of American citizens. The Department has also copied to the Minister, for distribution to the Consuls, and to the United States Court for China, this answer to your memorial.

"As you are doubtless aware, American citizens in China are subject to the extraterritorial jurisdiction of the United States in civil and criminal matters, and this jurisdiction is exercised through the consular courts and the United States Court for China, which courts have statutory authority for the enforcement of certain laws, including the federal statutes of the United States.

"Prefacing this statement with the information that the Department exercises no control over the United States Court for China or the Consular officers of the United States when acting judicially, you are informed that it is believed that these extraterritorial courts have authority also to enforce, as federal statutes, the laws on general subjects passed by Congress for the Government of the District of Columbia and of Alaska.

"It would seem, therefore, that any pertinent provisions of the above-mentioned statutes could be enforced in the United States Courts in China against American citizens guilty of an act of vandalism covered by such statutes.

"Should it be found, however, that these provisions of law do not cover, at least in their entirety, the offenses of vandalism which your association is endeavoring to suppress, it is suggested that your association might think it advisable to attempt to secure the passage by the Congress of the United States of a comprehensive statute along the lines needed. Should you make this attempt, the Department would be pleased to extend to you such co-operation in the matter as would appear to be proper.

"You are further informed that it is the understanding of the Department that the United States Courts in China enforce, as against American citizens, local police regulations prescribed by the Chinese Government for the security, good order and welfare of the State, and it may be that any reasonable regulations to prevent vandalism, which the Chinese Government might see fit to promulgate, would be enforceable in the American Courts in China.

"I am, sir,

"Your obedient servant,
[Signed] "W. J. BRYAN."

A printed circular issued by the Asiatic Institute gives in full the correspondence between it, the Department of State and the organizations concerned in its memorials to the Secretary of State and the President of China. In this circular is included the following from the Smithsonian Institution to the Secretary of State:

"SMITHSONIAN INSTITUTION,
"Washington, U. S. A., June 24, 1914.

"Sir:—

"There has been brought to my attention the enclosed monograph of the Asiatic Institute, on the destruction of Chinese antiquities, and also the memorial which it is proposed to request the Department of State to forward to the President of the Republic of China, praying for the protection of these priceless objects.

"I need hardly assure you how fully the Smithsonian Institution is in sympathy with all proper movements to promote the preservation of all such records of the history of mankind, and I trust that the Department will find it possible to aid in every way in its power this very laudable endeavor to awaken greater interest in and to promote the better protection of the antiquities of China.

"I am, sir,

"Your obedient servant,
[Signed] "C. D. WALCOTT,
"Secretary.

"The Honorable,
"The Secretary of State,
"Washington, D. C."

An exposure of vandalism as it has been carried on for nearly ten years in China is going on in the foreign press of East Asia, copied by the native press of both China and Japan. It undertakes to show the imposition foisted upon China by foreign museums and other institutions, especially in their scientific expeditions, which have been carrying off quantities of invaluable plunder for years without conceding to China any remuneration. The Western museum system is characterized as one of the engines of oppression exercised by Western civilization against China. In showing how vandalism has been committed by foreign governments, armies, institutions, and individuals from Western countries, it is asserted that in lieu of the plunder and loot which the same have taken from China they have returned principally savage abuse and recrimination.

It appears that none are more responsible for the existing situation with its attendant crimes than scholars and scientists. The evils of vandalism due to scholars alone, most of whom personally are innocent, is almost beyond belief because the effects are irreparable. The researches of the French scholars were the means of the sending to China by French dealers in antiquities of agents who brought about the plunder of nearly all the very valuable Chinese sculptures sold in Europe and America since 1909.

THE SITUATION IN CHINA IN 1914
THE YANGTZE VALLEY AND THE SOUTH

BY THE HONORABLE W. W. ROCKHILL.

*MONOGRAPH OF THE ASIATIC INSTITUTE**

In a previous paper I endeavored to make clear the origin and progressive development of the present political and economic situation in China, basing mainly my observations on information obtained during my recent stay in Peking, extending from the middle of last January to the end of March. It appeared probable that some, at least, of the conclusions I had reached might be modified by enquiries made in other parts of China in which the direct influence of the Central Government was not so strongly felt as in Chih-li and other northern provinces, and where the revolutionary movement of 1911-'12 had found its most impassioned as well as the largest number of its supporters.

Han-kow, which had witnessed the first outbreak of the revolution and had suffered so much by it, was naturally the first point in the Yangtze Valley at which I made enquiries. After remaining there a week and talking at length with the leading officials, both Chinese and foreign, with numerous foreign residents, and persons visiting there from the province of Hu-nan and distant parts of Hu-peh, I went to Nan-king, where I stayed for five days, seeing daily the Chinese officials, representatives of the General Chamber of Commerce (*Tsung shang hui*), American and other residents of that city and of various parts of Kiang-su. After this I went to Shanghai, from which place I made a trip south to Hong-Kong and Canton, remaining in the latter place eight days and in the former two, seeing many whose official positions or long experience in business, or in official life, entitled their opinions to carry weight.

It may be said at once that the unanimous opinion of all those with whom I talked was that there was now no vital political question in China. The only issues with which all the people were concerned were of an economic nature, and these, they believed, could be best and most rapidly solved by loyally supporting the present government of Peking, and more particularly Yüan Shih-k'ai, in their efforts to establish order and to create a fairly efficient administrative body in Peking and the provinces. They all held the President to be the only man in China who could guide it and preserve order at the present time.

I was told that everywhere the authority of the Central Government was obeyed, though it appears certain that under military rule, which is still pretty generally enforced, the treatment of individuals and even of localities is often harsh, sometimes perhaps unnecessarily so, and that, here and there, under inexperienced officials of the new régime justice has oftimes been harder to obtain than of old, and "squeezing" more general and heavier than in the past. All this was to be expected. I have called attention to it in my recent paper from Peking, and have indicated some of the causes which contributed to this result.

In some of the provinces brigandage or piracy or both contribute largely to intensify a feeling of apprehension born of the events of the last two years, and which seems to be still widely prevalent among the people in the cities as well as in the rural districts. This has prevented them feeling full confidence in the ability of the government to restore order, and has been retarding the re-appearance of normal conditions throughout the country.

The much talked about campaign during the last eight months of the robber bands of the now famous "White Wolf" through Ho-nan, Hu-peh and Shen-hsi has caused much disquiet through a great part of the land, besides great losses to the country traversed by them, but it has no political significance whatever. A great deal of this disquiet might have been spared the people if they had not been in complete ignorance of passing events, but it is this ignorance in which the Chinese people always live concerning everything outside their own range of vision which naturally leads them to give undue weight to the wildest rumors, and prevents, more than anything else, a restoration of quiet and confidence in the country. In this particular case some organs of the foreign press did much to mislead public opinion generally, giving an undue importance to this band and its exploits which was reechoed by the Chinese press.

Secret revolutionary societies, the secular bane of China, are still active in some provinces, notwithstanding the efforts of the provincial authorities to suppress them, and the summary execution of their members when captured. Suspects fare badly, and not a few have met the fate of the guilty, and this, again, has probably produced a most disturbing effect on the people at large, notwithstanding the fact that the Chinese only respect a government which can, and does, enforce its commands. The amnesty for all those implicated in the uprising of the summer of 1913, the ringleaders only excepted, proclaimed by the President on May 3d, will have the most reassuring effect on the population in general and help greatly to dispel the apprehension of the people.

Nevertheless the fact remains that the country is fairly quiet for China; that the people, most conservative and reasonable by nature, ask only for peace and order at any price, and that they take no interest whatever in the political evolution of the country or in what is going on in Peking or even in their provinces, for that matter, unless it affects them personally. Public sentiment, as we understand it in the West, is non-extant in China.

Although I gathered that when the revolution broke out the proclamation of the republic was greeted by the people in many places with gladness, even enthusiasm in some sections, according to some of my informants, in the belief

that the new government would put an end to all the troubles of which they had to complain, the experience of the last two years seems to have shaken their belief in the efficacy of this nostrum; the people will be well content now if it insures them security and does not increase their burden of taxes. They want nothing more than to be left in peace to till their fields and carry on their trade; participation in the work of government is remote from their thoughts.

It was apprehended by many foreigners that the dissolution of the Kuo-min tang and associated political societies, followed by that of the provincial Self-Governing Boards and of the Provincial Assemblies ordered by the President in November and December of last year, would arouse dangerous opposition in some of the provinces, but everywhere, in Hu-peh, in Kuang-tung, in all the provinces, dissolution was readily accepted and called forth neither comment nor opposition.

On May 1st the amendments to the Constitution of Nanking were promulgated by the President. They had been under discussion in the Provisional Constitutional Conference since it had been created in January last for that purpose. The changes made in the original compact are far-reaching. They vest in the President all the powers which had been denied him in the original compact. The system of a responsible cabinet makes place for a ministry appointed by and responsible to the President; a single legislative body takes the place of the two chambers, and various other changes are provided for all tending to strengthen the hands of the Chief Executive for the better preservation of order and the creation of an efficient central and provincial administration. At the time of writing I have heard no comments on the measures adopted. The foreign press of Peking and of the treaty ports, while regretting on general grounds the centralization of all authority in the hands of the President, admit its necessity after the experience of the last two years, and hope that with such extensive powers his task will be facilitated.

The province of Hu-peh is not very seriously affected by local money troubles. The value of Hu-peh government notes, though below par, has been maintained fairly well by the efforts of the provincial authorities. The province has been able to contribute something of late to the support of the Peking government, and the expenses of the provincial government have been considerably reduced by economy, reorganization and amalgamation of the various offices, both in the capital, Wu-chang, and throughout the province.

In official classes in Hu-peh I found it generally believed that it shortly would be possible to reduce considerably the large military establishment still maintained in the province, some twenty thousand men, and which constitutes the heaviest charge on the local exchequer, when the civil officials had got broken in to their new duties and shown themselves more capable than they have so far to deal with the situation.

The maintenance of a large armed force seems to interest the people more than any other current question, for all Chinese fear military rule, and have in the past looked upon the army as a dangerous and expensive rabble, to be kept in remote districts, if possible, and feared always. Present conditions in portions of the Chinese army would appear, if what I was told is true, to justify but too well these old prejudices. Recruited, it is said, for a large part from the rabble of the towns or from discontented sections as in Kuang-tung, often with a very small percentage of officers of any kind, many of these without sufficient regular training and with consequent lack of discipline and but little cohesion, the fighting qualities of a portion of the troops has been very low; their looting quality, often very high. Of course this observation must not be taken as sweeping, for there are many exceptions, as, for example, the troops under Tu-tuh Fêng Kuo-chang in Kiang-su, those in Che-kiang and in other provinces of which I have heard. The administration of the troops seems to have been often open to grave charges; fictitious effectives, for the purpose of swelling the pay-rolls, and misapplication of money for paying off and disbanding troops, are among the charges I heard preferred against it. It is certain that the financial difficulties of the Central Government and of the provinces, as well as the feeling of unrest among the people of which I have spoken, have been largely due to excessive effectives, bad local military administration, and lack of discipline in parts of the army.

A very generally expressed opinion is that the creation of corps of provincial gendarmerie would prove of great value, and that they could be readily recruited from the best elements of the active army. This step has been already taken in Kiang-su under the able guidance of Colonel C. D. Bruce of the Indian Army, late Superintendent of the Police of the Shanghai International Settlement. The success of this experiment is confidently looked for, and may very probably lead to the organization of similar corps in all the provinces.

However this may be, the necessity of dealing promptly and effectively with the reorganization and the reduction of the present army of over six hundred thousand (more or less), which is costing the country at least $120,000,000, probably much more, is one which is generally felt, wherever I have been, to be of vital and pressing importance. In many quarters I have been assured that the first step to be taken to bring about this much desired consummation is the abolishing of the military governorships (*Tu-tuh*), and military commissioners, and the centralization of power in the hands of the civil governors (*Min chêng chang*), a reversion, in a modified and modernized form, of course, to the old system in force before the revolution. These problems are receiving the earnest attention of the Government in Peking, and before long it appears highly probable that some reform in the provincial administration will be made.*

*By Presidential order of May 23d the provincial administration has been reorganized. Each Province (*Shêng*) has a Governor (*Hsün-an-shih*) with extensive civil powers and control over the provincial militia (created by order of May 22d). Under the Governor are Intendants of Circuits (*Tao*) and Magistrates of Districts (*Hsien*).

In Kiang-su there is no currency question, though there is a great scarcity of silver, many millions having been withdrawn in the last two years from circulation by the mercantile and wealthy classes and stored in Shanghai and elsewhere for safe-keeping.

Nan-king, like Han-kow, is rapidly recovering from the material losses and damages it has sustained, thanks to the hearty co-operation between the present able civil and military governors, and to the active part taken in the work of reconstruction by the General Chamber of Commerce, which is working most harmoniously with the provincial authorities to that end; but it will require time for the city to regain its old importance, especially as there seems to be a tendency to believe that a too complete revival of Nan-king's former prosperity might revive also the question of the transfer of the capital to that most eligible place.

But the official and mercantile classes of Nan-king are optimistic over the future if peace and order are well maintained, and they hope that by July of this year there will be a noteworthy improvement in the general situation in Kiang-su,* although they rightly claim that the presence in Shanghai of considerable numbers of revolutionists and the support they receive from foreign interests there and which they are powerless to check, add greatly to the difficulties of their task.

Kuang-tung province is that in which the authority of Peking has always been weakest; there have been in it for centuries many elements of disorder, and from the long and intimate relations the great mass of its people have had with foreign countries, it might be expected that the most advanced political views would find there ready acceptance and secure strong support. Therefore this province is naturally looked to as likely to furnish more correctly than any other a fair, if not too optimistic, indication of the general state of China, and I wished to gauge my views of the general situation of the country by what I could learn there.

In Canton, as in Han-kow and Nan-king, I was assured again that there was no political issue between the province and Peking; once the local currency question settled, I was told by all to whom I spoke, Chinese and foreigners alike, the people would have no further interest in current events; their personal affairs were all they cared for.

The General Chamber of Commerce of Canton, which represents the seventy-two guilds, telegraphed to Peking in May of last year urging that Yüan Shih-k'ai be appointed permanent President "as a man possessing high talents, ability and experience, which have won for him the confidence and appreciation of the people of all countries." In April of this year the Chairman and the leading members of this Chamber of Commerce expressed to me exactly the same views, and assured me that all the people of Canton shared their loyalty to the Government.

The revolt of last summer, when Ch'ên Chiung-ming declared the independence of Kuang-tung, was at the time strongly opposed by all the business classes of Canton and Hong-Kong and the people throughout the province, and it is now looked upon by all classes as the direct cause of the present monetary troubles and of the recrudescence of piracy and brigandage. The "revolutionists" (*luan-tang*), as they style themselves, though a source of trouble and anxiety to the authorities, have no political program and no longer enjoy the tacit sympathy of the masses. The merchants to whom I spoke said that the first revolution had succeeded because it had had their active support, and the last had failed because they had absolutely withheld it, and that any movement which might tend to disturb the peace or retard the establishment of order would be opposed by them. The feeling of unrest, of apprehension, is not absent from this province; the same causes may be assigned for it as for that which I noticed in the Yangtze Valley, but if no untoward events occur to intensify it, it cannot but steadily decrease and must shortly disappear.

To meet its pressing need of ready money in 1912 the Kuang-tung provincial government issued some twenty-nine million dollars' worth of notes, and these, thanks to the silver then in the provincial treasury and to the general confidence of the public, were fairly well maintained in value until the late spring of 1913. In April, 1913, the Chinese banks in Canton were selling $1,000 Hong-Kong local currency for $1,237 in Kuang-tung notes. But with the appointment as Tu-tuh of Hu Han-min the pillage of the treasury began, accompanied by the secret printing of new notes (probably some two or three millions), which were exported to Hong-Kong and elsewhere by him and his friends. The total amount of the outstanding provincial notes is believed to be about $32,000,000. To add to the chaotic condition of the currency large quantities of counterfeit notes were smuggled in from Japan. Add again to this the operations of speculators, who were able to force the discount up higher and higher, and it is not surprising that when on the restoration of order in August of last year there was found to be no metallic reserve whatever to protect the notes, their discount rose rapidly. On January 1st, 1914, $1,000 Hong-Kong local currency sold for $1,793 Kuang-tung notes, and on March 31st for $2,057. Since then they have continued to fall, so that on April 24th last they were at 58 per cent. discount. It should be noted that nearly all this paper is in Canton city, the outlying cities having been able to get on mostly with the subsidiary silver coin on hand. This has added, I was assured, very considerably to the difficulty of dealing with the question.

The provincial government has, during the last six months, made several loans to meet its most pressing needs, among which the pay of the troops comes first ($1,200,000 a month), and of late it has been able to make some of its payments, especially the pay of the troops, in subsidiary silver coin, which is only at a discount of 12

*In Wu-ch'ang and in Canton I was generally told that July would mark a noteworthy change in the general condition of affairs. This opinion bids fair to prove correct, from what I gather from the latest newspapers of Europe and China.

per cent; but its embarrassment is great, and the necessity of an immediate adjustment of the difficulty imperative. The Chinese have never had in the past confidence in the business methods of their government to the extent of being willing to trust their money in government funds; if this were not the case the funds necessary for placing the provincial finances on a solid basis could easily be found, for the native banks of Canton and Hong-Kong alone have at their disposal at least $100,000,000. Such being, however, the case, the provincial government has had to look to other means to get out of its difficulties. The plan which seems likely to be adopted is that a provincial bank be created with a capital of $9,000,000, seven of which will be supplied by the provincial government from sale of some of its very valuable property in Canton (estimated to be worth $10,000,000), and the other two to be furnished by the Central Government; it is proposed to open it by June 1st. This bank will issue new notes to the amount of its capital and withdraw the old within ten years. Furthermore, it will be given the collection of new taxes, yielding three millions a year, to create a reserve fund for bond issues in corresponding amounts. This plan, it is thought, will relieve the situation at least temporarily; the permanent solution of the currency question is only expected when the Bank of China can take over the administration of all the provincial finances, and replace all provincial notes by national ones. This latter consummation, it is generally thought in Canton, may be forthcoming in the near future; till then the measures about to be carried out will insure relief and restore some degree of confidence.*

In the meantime Kuang-tung, one of the richest provinces of China, is not only unable to contribute anything to the support of the Central Government, while before the revolution it forwarded to Peking some ten millions annually, but has a monthly deficit of about a million dollars. This is explained at Canton by the loss the province has sustained from the suppression of some of its most valuable taxes, and by the heavy expense it has to bear for the maintenance of its army ($17,500,000). This latter item will probably be greatly reduced within a short time by the rapid licensing of the greater part of the *lü-chun,* or local levies, recruited from the worst classes of the people; I was assured this disbanding had been begun. The active army, drawn from other provinces, will probably be maintained for a while at its present effective. It was thought that the monthly expenses on account of the army might thus be reduced to about $7,200,000 a year. Reductions in the expenses of the administration have also been applied; in the military governor's department alone it has been possible to effect a reduction of about $6,000 a month. If these reductions can be continued it seems likely that the budget of the province ($29,000,000) will be nearly balanced this year, and that before long the province will be in a position to contribute its due share to the expenses of the Central Government.*

In this connection it should be mentioned that, whereas during the year 1913 little or no contributions were made by any of the provinces to the Peking government, which, on the contrary, had to supply in numerous cases considerable sums to some of them to meet their current expenses, conditions in 1914 show gratifying signs of improvement; thirteen of the provinces by the middle of March last had already contributed $5,250,000 and agreed to contribute a like sum during the year.

It is possible that conditions may so improve, particularly if the promise of the spring as to the crops is fulfilled, with consequent increase in trade, that others may be able before the end of the year to send contributions which will still further increase this amount.

Ssu-ch'uan is still disturbed in some quarters, and Kuang-tung much more so. In the latter it is hardly to be hoped for that perfect order will everywhere be restored, for it is not in the memory of man that peace and order have reigned at any one time all over this unruly province, in which piracy, brigandage, clan feuds, etc., etc., are, and have been for centuries, disturbing the peace, and from which rebels and brigands can flee with ease to Hong-Kong and Macao, whence they can also smuggle arms and ammunition into the country.

When the troops have been cut down to a peace footing, as they certainly will be at once wherever the security of the country and the perfecting of the organization of the civil administration permit, it is still very likely that, for a time, parties of disbanded soldiers may, here and there, prey on the people of remote districts, but the Chinese will take these evils with their usual philosophy; centuries of such conditions have hardened them to them, and though such incidents may for a time bring whole districts to the verge of starvation, they will ultimately revive in a way quite incomprehensible to the man

*The plan finally adopted for dealing with the currency question in Canton differs from that which was at first determined upon. The funds needed ($10,000,000) for the redemption of the provincial notes have been furnished by the Central Government, which was able to do so, thanks to the increased revenue received this last spring from the salt tax and have been remitted to Canton, where the Bank of China has opened a branch, taking over the powers and business of the former Ta Ching Bank. This branch was opened on June 6th. The new notes which will be issued to replace the provincial ones have been engraved by the American Banknote Company of New York, whose notes, alone of all those in use in China, have defied the skill of both Japanese and Chinese forgers.

*The monthly expenses of the Peking government are $5,000,000.

There are, of course, and there will continue to be, local disturbances, riots; sometimes the result of exactions by the troops or mismanagement by the officials, brigandage by *t'u fei,* sometimes on a formidable scale, as in the case of the "White Wolf," or simply the result of droughts or floods; sometimes there will be outbreaks in several districts or localities in one province and at the same time; but however much these are to be regretted, and however great their disturbing influence on local conditions and the misery they carry with them, they cannot in all likelihood assume such gravity as to affect the general condition of the whole country, and must not be given too great importance in forming an opinion as to the general situation in the country.

of the West, accustomed to perfect peace and quiet in every corner of the land in which he dwells.

"Want of money and want of a sufficient number of capable and trained officials are mainly responsible for the present state of affairs in China, and while in due course these will no doubt be forthcoming, this, of course, is largely a question of time, and meantime the country suffers." This opinion of the Chairman of the Hong-Kong Chamber of Commerce, expressed in his address at the annual meeting of April 28th last, puts the whole case in a nutshell.

To fill the first want China must look to her own resources and no longer count solely on foreign capital, as in the past. Within the last two years at least two hundred million of dollars (silver) have been withdrawn by the Chinese from native banks and productive enterprises in the interior and deposited, or simply stored, in foreign banks in the treaty ports and at Hong-Kong, where they lie for the most part absolutely unproductive. It should be the constant effort of both government and people to seek by every proper means to so establish confidence and trust between them that this vast sum may flow back into the country, in which it would promptly help restore prosperity and contribute to the healthy development of the natural resources and industries and to the restoration of the national credit.

The relations of government and people in the new China are different from what they were of old; they can probably never revert to what they were prior to the revolution of 1911. Whereas in the past it was the duty of the Emperor to make the people happy, to give good government, and to otherwise fulfil the mandate which he had received from Heaven, the will of the people was usually ignored; at all events its wishes were not consulted. Confucius once said: "The people may be made to follow a course, but not to understand the reason why." In the new China the people will have to play a larger role, and must be made to realize, if they do not, that the state will prosper, or decline and perish, as they give it their confidence and support or withhold it, while the government, to secure this end, must insure them peace and justice and fair dealing; nothing more is needed for the present, but nothing less will do.

I have adverted repeatedly to the nearly universal absence of any interest whatever among the people of all classes in the political and administrative changes which are now being carried out or planned for by the government. This, I think, is much to be regretted, however natural it may be in China, for it adds greatly to the difficulty of establishing those intimate relations between the government and people which appear so essential to the creation of good government and sound economic conditions. Time may operate a change; when the regular administration of the country and the new representative assemblies have been fully elaborated and become operative, and have shown, as it is to be hoped they promptly will, their beneficial effects, this apathy may little by little disappear and public sentiment make its appearance, but if it does not it will argue very badly for the ultimate success of the representative form of government in China.

In my paper on the conditions in China as viewed from Peking I called attention to the inefficiency of a considerable percentage of the present corps of officials, and I indicated the causes of this deficiency in the various services of the state. From what I heard all over the country, it appears certain that the want of money in Peking as well as in the provincial capitals has been largely due to no other cause than to the inexperience and, in a number of cases, to the dishonesty of officials. In the old days "squeezing" was more or less regulated; a certain amount, at all events, of the money collected by the various official agencies found its way into the various treasuries, and the State and the Provinces regulated their expenses accordingly. At the present time, or rather until quite recently, for there is already marked improvement, the rapaciousness of many of the officials of the new régime often has known no bounds, nor has it been possible in the general disorganization to establish control over them.

The experiment of employing officials in their native provinces, which was first tried shortly before the revolution, has proved a most grevious mistake—so I am told on all sides. Officials, especially those occupying positions bringing them into direct contact with the people ("father and mother officials" as they are called), such as district magistrates, have but too often shown themselves subject to all kinds of local and family influences generally highly prejudicial to good and honest government. It is certain that the unsatisfactory working of the revenue-collecting services of the State was greatly aided by the weakness of this class of officials. Fortunately this experiment is rapidly coming to an end; a nucleus, at least, of better magistrates, most of them having seen service under the old régime, is being recruited after examinations held in Peking and sent to all the provinces, and it is hoped that by their example and with their experience better order may be soon restored, the revenues of the provinces largely increased, confidence revived, and a better general understanding develop between the people and their direct administrators.

Inefficiency in its officials and employees has proved in the past most disastrous to the Chinese Government in many ways, in none more perhaps than in the management of its railways. Roads which are paying fair dividends should pay much larger ones if loose methods of accounting and often corruption among the employees of the roads, the lack of rolling stock, and other well-known shortcomings had, or could have been, remedied. Other lines paying no dividends should prove valuable assets if properly managed.

It is gratifying to know that a commission has now been sitting for some months at Peking under the presidency of Dr. H. C. Adams of the University of Michigan, elaborating rules and regulations to bring order and uniformity into the railway accounting and put effective checks on dishonesty. When these are put in force the

change for the better in the receipts of all Chinese railways cannot but be very marked.

The salt gabelle, to which I have previously referred, and which will certainly under the scheme of reorganization now being carried out contribute very considerably enlarged revenues to the State, is another case in point. I refer to it again in passing.

The above mentioned shows what can be done to promptly check dishonesty, and, if not to create immediate efficiency, at least to render honesty in the handling of public moneys more general through fear of detection and punishment. The methods being successfully applied to the reorganization of these revenues can be followed in others, and each step taken in this direction will increase the confidence of the public in the ability and determination of the government to effectually remedy the evils of the past, and to give the people an honest administration of the public revenues and to leave nothing undone to establish and maintain that spirit of "respect and loyalty" (*ching-chung*) which the Chinese justly hold is necessary to insure the devotion of the people to the State.

In speaking of conditions in the province of Kiang-su I omitted intentionally all reference to Shanghai, as that city can hardly be looked upon as forming an integral part of the province; its foreign settlements, where China's sovereign rights are hampered or withstood on every side by those claimed by the Treaty Powers under the privilege of extra-territoriality, offering a refuge to Chinese revolutionists of every type from which they can conduct their operations, or peaceful propaganda as the case may be, with comparative ease and a minimum of restraint or interference on the part of the local foreign authorities.

I did not meet any of the Chinese extremists when in Shanghai, but I saw many who had been prominent members of the now deceased radical parties of the Tung-mêng hui and Kuo-min tang, and from them I got a further confirmation of what I heard on every side. "We have tried to go too fast and have partly failed; the new China can be built but slowly; we must lay solidly the foundation stones of a modern state; the political structure to be reared on it will little by little shape itself and the future must decide what it shall be. For the present we must have peace and order, try to create confidence between the government and the people, upbuild national credit, develop the country's natural resources and save it from international financial control." And the accomplishment of this program they admitted (some, I confess, very reluctantly) must be entrusted to Yüan Shih-k'ai; there was no other who could, or would dare to, take his place; he was the only possible leader, dictatorial though he be.

In speaking of Shanghai, the opinion of the foreign community of this most important commercial center of China on the political situation of the country deserves consideration, but after careful inquiry on every side, the conclusion was regretfully forced upon me that it was non-extant. In so far as the political changes of the last few years have affected or continue to affect directly the foreign trade of Shanghai, they are approved of or condemned, as the case may be; but, exclusive of this, political events in China have failed to awaken interest or call forth more than brief, perfunctory comments in the local press.

The views of the foreign mercantile world of Shanghai (and for that matter one may safely assert that they are shared by all the other treaty ports as well as Hong-Kong) on present business conditions may be stated in brief as follows. The present condition of the import trade is bad; goods are not going up country; godowns are crammed; trade routes unsafe; Chinese merchants cannot take delivery of their orders; exchange on the interior is completely disorganized by the stringency of the currency; the foreign banks refuse further credits to Chinese merchants, and so long as the latter will not withdraw their capital from safe-keeping in Shanghai and other treaty ports and send it back to the interior, so long will this unsatisfactory condition of the import trade last.* It would seem that in their eyes China and the Chinese are solely responsible for this condition of the import trade. If such were really the case a partial remedy would not seem far to seek; let the powerful Shanghai business community use its vast potential influence with the millions of Chinese with whom it is in direct or indirect relations in helping on the creating of confidence and urge the restoring and maintaining of internal peace wherever it is troubled, and the two hundred-odd millions of dollars which are now lying idle in banks would promptly flow back again into the interior and the import trade soon revive.

There are certainly, however, other causes for the present unsatisfactory condition of foreign trade besides those resulting from the upheaval of 1911-'12. There are some causes, and they are not the least weighty, which must probably be sought in the general methods of conducting foreign business in China; others in overproduction in the West, and others still in the new, and not always loyal, methods of competition of the Japanese in the Chinese markets. I can only indicate them here; the question is an intricate one, and opinion varies greatly in the Shanghai business world concerning the causes of the present slump in the import trade and the remedies which can be applied to prevent the recurrence of similar ones.†

Whether the foreign mercantile world of Shanghai will assist in hastening the much desired consummation of the restoration of trade to better conditions or not I cannot say, but I am inclined to think that it will not be able to use to the full the great influence for good it could wield if it would but take a keener and broader interest in the general welfare of China than in that of the Model Settlement and the advancement of special and selfish interests to the exclusion of all others. Trade and national jealousies will, I fear, preclude such concerted action as the case requires.

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*Since the date of writing (May 15th) the increase in the revenue derived from the gabelle has been so satisfactory that the Government has found itself in a position (after setting aside the amount pledged for interest on loans for the current fiscal year) to relieve its most pressing needs with the free balance; a million pounds were sent to Canton, and a loan of £7,500,000 for the redemption of the short term loans is being negotiated with the Quintuple Group Banks on this security.

*I have not seen the detailed returns of the trade of the Maritime Customs for 1913. I have before me, however, the following data for the port of Shanghai for that year. Values are stated in silver:

Gross value of the trade of the port.	1903	1912	1913
Foreign imports	$118.541.668	$151.415.266	$182.816.440
Native imports	64.599.775	141.569.389	150.538.547
Exports to foreign countries and to Chinese ports	41.626.946	58.427.468	62.261.125
	$224.768.389	$351.412.123	$395.616.112
Net value of the trade of the port.			
Foreign imports	$25.091.657	$52.243.120	$73.087.789
Native imports	9.321.652	22.255.158	18.306.383
Exports to foreign countries and to Chinese ports	41.626.946	58.427.468	62.261.125
	$76.040.255	$132.925.746	$153.655.297

†The *North China Herald* of May 23d (p. 628), in an article entitled "The Slump in Trade," can offer no reason for it in view of the undoubted improvement in the general situation. The decline in the Maritime Customs revenue this year has been heavy.

There is another weighty reason for the present unsatisfactory condition of the import trade, or rather for the inability of this trade to continue to expand. This is the very slow development of China's export trade, which, coupled with the constant and growing drain abroad of the capital of the country for payment of interest and amortization of unproductive foreign loans and indemnity claims, leaves an adverse annual balance of trade of about $100,000,000. If this drain is not checked it will soon have the most disastrous results for both the Chinese and for the large foreign interests in the country.

The development of China's natural resources, the improvement of the quality of its products for export, the modernization of its methods of manufacture, the extension of its railways, the conservation of its waterways, the abolition of all internal taxation of goods in transit and numerous other crying reforms which are well known to all and have been urged for years upon the attention of the former government, must receive the undivided attention of government and people. They should secure the close attention and hearty support of all foreign interests, for these cannot maintain their present importance, let alone hope for healthy expansion in the future, unless these reforms are promptly initiated and have a fair prospect of successful completion, and these cannot be brought about without their assistance in money and men. The co-operation of these various interests, Chinese and foreign, can only be realized by the creation of confidence and respect, each for the other, based on a mutual, strict and full recognition of the rights and interests of both the State and individuals, whether Chinese or foreign, and on the ability of the government to maintain order and peace.

The Chinese Government of to-day is unquestionably desirous of initiating the economic reforms which will give new life to China, and though in applying Western methods and theories to the attainment of these ends it will certainly make mistakes and meet with opposition both at home and abroad, the mistakes can be remedied, the opposition overcome, where all interests, foreign and domestic, are joined in wishing for and seeking the best means to attain this end.

W. W. ROCKHILL.

Shanghai, May 15th, 1914.

THE AMENDED PROVISIONAL CONSTITUTION

BY DR. FRANK J. GOODNOW,
Constitutional Adviser to the President.

Those whose duty it is to participate in the framing of a constitution for China at this critical period in her history must bear in mind two things:

In the first place they must remember that any constitution which is to be expected to be successful must be in harmony with the conditions of the country and must, on that account, be in the nature of an evolution out of the history and traditions of the people whose conduct that constitution is called upon to regulate. For there is no such thing as an absolutely ideal constitution. No constitution which has as yet been devised is perfect. There is no constitution which has not defects. All constitutions but approximate excellence, and those which approximate excellence most closely are those which conform most closely to the conditions of the countries for whose government they have been framed, and which are an outgrowth of the capacities and aspirations of the people living in those countries.

In the second place the framers of a constitution for China, as indeed for any country, must be careful not to be swayed by the spell of words and phrases. Particularly must they beware of "republic" and "republican government" so far as those words connote the institutions possessed by a particular country. The words "republic" and "republican government" have had very different meanings in the political history of Europe. Etymologically "republic" means simply the "public weal," "the commonwealth," "the state." Historically the word has been used to indicate very different kinds of government. What we now speak of as the Roman Empire was for a long time called a *republica.* Poland was called a republic, although its chief executive was elected for life. In the present French Republic the executive is a President who is elected by the legislature and is obliged to act through ministers responsible to the legislature. In Switzerland the executive power is entrusted to a Council also elected and controlled by the legislature. The members of this council serve for a short term; but as a matter of fact the council is a permanent body, since its members are as a rule re-elected at the expiration of their terms. In the United States, however, the executive, i. e., the President, is elected indirectly by the people for a fixed term, is frequently not re-elected even for a second term, and is not obliged to act through ministers responsible to the legislature.

If, therefore, it is assumed that the Constitution of China is to be what is called republican in character, that assumption does not decide the real form of the government which is to be adopted. It may of course be taken for granted that in a republican government there is a representative legislature, the executive is to be selected by some process of election, and that, if modern European examples are followed, his term is not fixed for life. But beyond these things the position of the President in a country whose government is spoken of as republican in character and his relation to the legislature may be of almost any character.

Furthermore, it is to be remembered that a constitution which is to be framed for China is to be framed for an Asiatic and not for an European country. If what has been said is true, that constitution approximates excellence only in so far as it is in conformity with the capacities and aspirations of the people whose conduct it is to regulate, the fact that China is Asia rather than

Europe ought to have great influence on its constitution, so far as there are marked differences existing at present between Asia and Europe. Asia does differ from Europe in that Asiatic tendencies have been in the direction of emphasizing the executive rather than the legislature, which in modern Europe has gained the upper hand.

These things being true, one who assumes to estimate the excellence or the reverse of the Constitution which has just been framed for the government of China must try to find out:

First. How far that instrument suits the present conditions of the country's history and traditions; and,

Second. Assuming that it is a republican Constitution which is desired, whether the constitution proposed is republican in character.

Furthermore, the critic of the Constitution which has just been adopted must also bear in mind that the work of the Provisional Constitutional Conference has been confined to the amendment of a constitution which was confessedly provisional and that therefore that constitution, as it has been amended, retains much of its original character. Nor must he forget that this constitution was and is not only provisional, it is also incomplete. The original Provisional Constitution did not organize the legislature. This work was done subsequently by the National or Advisory Council. The same is true of the amendments to the Provisional Constitution. They also, after providing that the members of the legislature shall be elected by the people, leave its organization to the subsequent action of the Conference which drew up those amendments.

Furthermore, the amended Provisional Constitution does not provide for the election of the President. This omission, however, is only apparent. For that matter had already been attended to by the legislature recently dissolved, which provided for his election for a term of five years by the legislature. Its action must, in view of article sixty-four, which continues in force all existing laws not inconsistent with the Amended Provisional Constitution, be regarded as still valid. For no change in the method of electing the President or in his term has been made by the Amended Provisional Constitution. Indeed the only part of the Permanent Constitution which has been adopted is that which provides for the election of the President.

Any criticism of the work of the Constitutional Conference must, therefore, be based on the assumption that what has been done, has been done in order to provide a means by which the transition from the autocratic methods which have always existed in China to something in the nature of permanent republican government may be made with safety and with the least disadvantageous consequences possible.

A judgment as to whether the Provisional Constitution as amended provides for a republican government must be suspended until such time as the legislature provided for by it has been organized. It is of course true that that portion of the Permanent Constitution which has been adopted provides for a President to be elected for a term of five years by the legislature, and that the Amended Provisional Constitution provides, as has been said, for a legislature the members of which are to be elected by the people. If the legislature which is to be organized is really representative of and elected by the people or the influential classes thereof, the republican character of the government can hardly be denied. The powers of the President and his relations to the legislature are significant merely as indicating the kind of republic which has been established.

The first questions, then, to be asked are: Does the Provisional Constitution as amended suit the conditions of China? Is it in harmony with the traditions and history of the country? And will it permit with safety and as little friction as possible the transition from the autocracy of the past to the representative government of the future?

If we regard the present conditions of China, we find a people devoted for the most part to agriculture, owning lands in small parcels, intensely attached to its peculiar form of family life, recognizing almost no obligation as superior to that due to the family, and unaccustomed to any but the most limited and narrow kind of social cooperation. For years, for centuries, indeed, this people has not in any formal manner participated generally in the work of government. That work has devolved upon the Emperor, the Son of Heaven, who has been assisted in the performance of his duties by persons selected as officers through competitive examinations in the literature and learning of the past, which for so long has cast its spell over the public mind. No such thing as an election has until recently been thought of as a method for selecting even the lowest grade of officials. Such a thing as a representative legislature or even a local representative body has been unknown until within the last decade. The struggle for life has been so arduous that the people generally, even if they had been so inclined, have not been able to interest themselves in public affairs. Satisfied if conditions of political life have left them in a situation in which they might keep body and soul together, their only political influence has consisted in protesting, oftentimes with violence, against what they regarded as the unendurable rapacity of their governors.

Such are the conditions under which the Chinese people are living, such have been their history and traditions during many centuries. Their total inexperience with the institutions of representative government, their habit of submission to what has seemed to them the inevitable, accompanied as it has been by occasional protest against what they have considered to be unendurable, would indicate that it is hopeless to expect that the transition from an autocratic past to a form of government more in accord with modern European ideas of popular representation may be safely made, unless greater emphasis is laid on the necessity of the preservation of order than on popular participation in the work of government. The problems of the present are rather those of efficiency and stability than of liberty and popular government.

If this is the case, the constitution to be adopted at this time of transition should be one which emphasizes executive power, to which the people are accustomed, rather than popular participation in government with which they have had little, if any, experience. The strengthening of the executive power is frankly the purpose of the constitutional amendments which have just been adopted. Guided by aspirations which were at the time incapable of immediate realization, and undoubtedly influenced as well by considerations of a purely personal nature, the framers of the original Provisional Constitution, as well as of the draft constitution framed by the committee of the late legislature, made the mistake of emphasizing the legislature rather than the executive. In the belief that the cabinet form of government was the most highly developed form of representative government, they endeavored to model their President upon the President of the French Republic. They apparently forgot that the countries in which this form of government had been adopted had years, if not centuries, of experience with representative government, either national or local, and that in most instances the system had been adopted to secure responsibility for the actions of an hereditary king who was otherwise irresponsible.

The amendments which have been adopted have, however, reversed the policy. They have, on the contrary, made provisions for the system of Presidential Government which, as its existence in the United States amply proves, is just as consistent with republican institutions as is the system of Cabinet Government which has been abandoned.

The amendments have, it is true, gone a step further in strengthening the executive power than the American model would warrant; for they have given to the President the power to declare war and conclude peace, a wide power of ordinance and the power to provide for the organization of the army and the navy and the civil official system. But that such an extension of executive powers is unwise under the present conditions of China and in view of her traditions and history may not be said. It is always to be remembered, as has already been pointed out, that Chinese traditions are executive rather than legislative. This being the case, it may certainly not be said that at this period of transition from the old to the new a great emphasis on the old is not fitting and proper. When a representative body has been established which shows itself capable of effective action it will undoubtedly be advisable to transfer to it or to subject to its control some of the powers which, under the Constitution as amended, are to be exercised by the President. But until that time comes it would seem certainly wiser not to make a violent break with the past.

The Amended Constitution also provides that in case the legislature refuses to vote the estimates as proposed by the President, the appropriations of the previous year shall remain in force. It furthermore provides that estimates for certain objects of expenditure, such as those provided by law or by treaty, and those for the army and the navy, may not be curtailed without the approval of the President. Such provisions naturally limit greatly the powers of control of the legislature, but their adoption, as well as the grant to the President of a large power of veto, provisions for which is made, would seem to be absolutely necessary in order to enable the President to protect himself against attack by a legislature desirous of reducing the powers granted to him by the Constitution. A very limited power of control over the budget is accorded to the legislature by the constitutions of both Germany and Japan. These countries are, it is true, not republics, but at the same time they are countries which have abandoned absolutism and are regarded as having joined the ranks of those enjoying representative government. Furthermore, an unlimited control over the annual budget is not a necessarily distinctive characteristic of republican governments. Even in the United States there are numerous examples of permanent appropriations which continue in force in the absence of positive action on the part of the legislature repealing them.

The power of veto given to the President is also compatible with representative and even republican government. Such a power is, for example, possessed by most kings in countries which enjoy a representative government as well as by the President of the United States and by the governors of most of the States of the American Union.

So far, then, as concerns the position of the executive and its relations to the legislature, the Constitution as amended provides for little if anything which can be truly regarded as incompatible with the development of representative or even republican government. But those who are progressive in their ideas should remember that the Constitution is still confessedly provisional in character, and that it is adopted to permit of the safe transition from autocratic to representative government. If dissatisfied with any of its provisions, they should endeavor to obtain the omission or amendment of such provision when the time, as it soon will, comes to adopt a permanent constitution.

Little or any change is made by the amendments in the articles affecting the judiciary. The purpose of the amended as well as of the original Provisional Constitution is to establish an independent judiciary. But special mention is made in article 43 of an Administrative Court, which is to have jurisdiction of what are spoken of as administrative lawsuits and is to try impeachments of the Secretary of State and for Ministers for breaches of the law. These impeachments are to be filed by the Censorate. Neither the Censorate nor the Administrative Court is organized by the Amended Constitution, but as article 64 provides that the law and ordinances in force before the coming into effect of this Amended Provisional Constitution shall continue in force, provided that they do not conflict with the provisions of this Provisional Constitution, and as ample provision is made for these bodies in the Orders and Instructions already issued with

regard to them, the existence and organization of these bodies are assured.

The only other important change made by the Amended Constitution is with regard to the bill of rights. This is so changed as to make it perfectly clear that those rights are to find their limitations only in law, as passed by the Legislature. In adopting this conception of the rights of the individual those responsible for the Amended Constitution have put themselves into accord with the modern European view as to private rights. The only country at the present time which takes a different view is the United States. There the courts, through their power to declare acts of the legislature unconstitutional, have the final power to determine what are the rights possessed by the individual under the constitution. But under the new Constitution it is made clear that the executive side of the Government may not constitutionally limit the exercise of the rights recognized. Such limitations may be imposed only by statutes, that is, by law adopted by the legislature.

There is one point in which the Constitution is not so clearly expressed as it should be. This concerns the making of law. Articles 30 and 31 give to the legislature the power of legislation. But apparently articles 19 and 20 also give to the President a concurrent power of legislation over many subjects. They provide that the President may in order to promote the public welfare, to enforce the law or in pursuance of authority granted by law, issue ordinances which do not alter the law. Furthermore, they authorize him in times of great emergency, when time will not permit the convocation of the Legislature, to issue ordinances which shall have the force of statutes, but which shall be submitted to the Legislature for its action at the beginning of its next session. In case such ordinances are rejected by the Legislature they shall become void. These articles are modelled on articles contained in the Japanese Constitution. Whether the Japanese practice with regard to them will be followed it is of course impossible to say. If so, the powers which are thus granted to the President will not be so great as at first sight they seem to be. They will authorize the President merely to issue ordinances in execution of existing laws. In this latter contingency the approval of the Legislature must be secured.

If Japanese practice is not to be followed and if the construction of these articles is to be made independently, the following situation may well present itself. There will be two concurrent legislative authorities, namely, the Legislature and the President; of these the President will be the more powerful. For the President has practically absolute veto power over the action of the Legislature in passing laws, while the Legislature has the power of vetoing only those ordinances of the President issued at a time of great emergency when the Legislature cannot be convoked, ordinances which have presumably altered existing law. In ordinary times, however, whether the Legislature is or is not in session, the President may, through the exercise of this ordinance power, regulate in the interest of the public welfare many subjects which have not been regulated by legislation. The only limitation upon this power of the President is to be found in some of the provisions of the bill of rights, which provides, e. g., that citizens may not be deprived of certain rights except as a result of statute, i. e., a law passed by the Legislature. Thus no one can be arrested except in accordance with a statute. If we assume, in accordance with the ordinary rule of European and American constitutional law, that a subsequent statute inconsistent with an existing Presidential ordinance implicitly repeals that ordinance, still it will be theoretically impossible for the Legislature against the practically absolute veto power of the President to pass such a statute. In case, however, an effective legislature develops it is hardly conceivable that the President will in practice be able to use his veto power so as to prevent action by the Legislature directed towards the implied repeal of an unpopular Presidential ordinance.

The result is that until the field open to regulation by legislation has been occupied by legislation passed with the approval of the President, that field is subject to the limitations of the constitution open to regulation by Presidential order, provided that there is no strenuous opposition on the part of the legislature. Furthermore, in time of emergency laws adopted by the legislature with the approval of the President may be superseded by Presidential ordinance not rejected by a vote of the legislature at its next session.

In other words, a real controlling power of legislation is vested in the President, and the Legislature is relegated in many instances almost to the position of an advisory body.

The treatment of questions arising in connection with the budget shows the same desire to make the Legislature an advisory rather than a controlling body. It may not reject or reduce estimates for expenditures made necessary by permanent law, or by treaty or for the army and navy, and if it does not vote the estimates as a whole, the appropriations of the previous year are continued in effect. Apparently the only powers of control which the Legislature possesses are with regard to the making of loans and levying new taxes and the change of existing tax rates which require a law, i. e., the action of the Legislature.

Apart, however, from this power of control over loans and over loans and over taxes, the Legislature is theoretically in financial matters a council of advice. But here again an effective legislature will in practice make it impossible for the President to take action in the appropriation of money contrary to its strenuously expressed will; for as the necessities of the government increase, and they undoubtedly will, this power of control over taxation and loans possessed by the Legislature may well become of such importance, as gradually, if the Legislature shows itself capable of effective action, to transform the advisory power of the Legislature into powers of real control. The experience of all nations which have essayed to change an absolute form of government into some

form of representative government would seem to show that the first step has consisted in the formation of some sort of representative body whose functions have been in the main the giving of advice on most matters of legislation and in controlling the imposition of taxes. As the representative body has gained in confidence and experience it has, through its control over the purse, transformed its powers of advice into powers of control until the government has become truly representative in character in matters of legislation as well as of taxation. In the birthplace of representative government, that is England, this development has taken place without a written constitution. It has been due to the fact that the people who rather than a written constitution firmly decide the matter, has earnestly desired this kind of government. The existence of a written constitution is significant only in that it is an indication of the desires of the people or of a comprehension of the problems of a representative government on the part of those who for the time being are in control of the government.

Such a form of government as is established by the Amended Provisional Constitution is thus in conformity with the historical development of the European constitutional government. Experience has shown also that it may be successfully applied in the Asiatic communities which for centuries have lived under a régime of absolutism. For the Amended Constitution is very closely modelled, as has been indicated, on Japanese lines. There is, it is true, an elected President in the place of an hereditary Emperor. But the powers of that President are much the same as the powers of the Japanese Emperor. The relations of the President to the Legislature are also much the same as are those of the Japanese Emperor to the Parliament. Under this form of government, the Japanese have been successful in resisting the aggression of the foreigner, in consolidating Japanese power, in introducing into Japan what have been regarded as the beneficial features of Western life, and in smoothing the way for the peaceful transition from Oriental autocracy to European representative government. Recent events in Japan would seem to indicate that that form of government is sufficiently flexible to permit the people of the country, just so soon as they have acquired sufficient political experience and capacity, to exercise a really controlling influence over the government. There is no reason to believe that the Chinese will not be able to bring about the same result if they are only patient and do not attempt to move too rapidly along a road which is, it must be remembered, strewn with the failures of those essaying the journey with too little regard for the lessons of the past and with insufficient preparation. It is, perhaps, needless to say that this result can be attained only upon the condition that, on the one hand, the influential people of China seriously interest themselves in political matters, and that, on the other hand, those in control of the government observe the limitations which the new Constitution imposes upon their actions.

In the *Peking Daily News* of May 14, 1914, is a paper, by Dr. Goodnow, entitled "The Amended Provisional Constitution."

THE PARLIAMENT OF THE REPUBLIC OF CHINA

BY DR. GOODNOW, *Adviser to the President.*

A study of the history of China would serve to reveal the fact that notwithstanding the great duration of Chinese political life there has been, comparatively speaking, little change in the political organization of the country. With the exception of the abolition of, to use a European expression, the "feudal system," which existed for several centuries before about 200 B. C., Chinese history presents no instance of any important change in political forms.

The character of the political organization which existed both prior and subsequent to the abolition of this "feudal system" was absolute monarchy, what is sometimes called autocracy. In this respect China differed little if any from other Asiatic peoples, whose great contribution to the political development of the human race has been the conception of an all powerful king or monarch in whom all the functions of government were concentrated.

As opposed to Oriental peoples the nations of the Occident have from an early period in their history sought to establish a form of government which accorded rights of participation in political action to the people in the state. The early history of both Greece and Rome offers many examples of more or less popular assemblies which possessed all governmental power. Among other things they had the right to choose in one way or another those persons to whom was to be entrusted for short periods the power to take the action in particular cases which was necessary for the continuance of the life of the state. These persons, however, were regarded as possessing only delegated power. They were agents of the people as a whole, who were the real permanent possessors of political authority.

This form of popular government was the contribution which European peoples made to the political organization of mankind. It was, however, a form of government which was unsuited to the conditions existing in early Europe. It was necessarily applicable only to small communities. For the amount of co-operation which was necessary to its success was so great that it was impos-

sible with the then means of intercourse and communication to secure it except in small reasonably compact and homogeneous societies.

When Asiatic and European political forms came into competition the latter succumbed in the struggle and the Oriental conception of an all powerful king was universally adopted in Europe. The triumph of Oriental political ideas in Europe was, however, only temporary. There soon sprang up everywhere throughout Europe in the states mainly of Teutonic origin, which established themselves upon the ruins of the great Roman Empire, assemblies representative of the important economic elements in those states, which exercised quite an influence on the actions of the king.

These assemblies were based on different principles from those which lay at the foundation of the original European popular assemblies. In the first place they were representative in character. The early European popular assemblies were not representative of the people. They were the people. That is while under the original European scheme all the people came to the assemblies and themselves took such action as they saw fit, the new assemblies were in large measure composed of persons who represented specific classes of the people and who were chosen by them as their representatives. This change from direct democratic rule to representative rule was a change of great importance. For through it, it became possible so to enlarge the limits of states as to make it possible for the representative state to compete on more nearly equal terms with states organized on the Asiatic autocratic principle.

In the second place the new representative states, very largely because of their greater size, were more heterogeneous than had been the case with the early European states. Some provision had to be made for the representation of the various elements in the people. Hence arose a system of class representation. Without an understanding of this system it is difficult if not impossible for us to obtain a correct idea of the origin of modern European representative institutions. We may perhaps take England as an example, since that country is the birthplace of European Constitutional Government. From a very early time in English history we find by the side of the king a body called the Great Council, which consisted of representatives of the great landholders, who were summoned by the king to aid him in governing the country. This body the king was accustomed to consult upon all questions of legislation, finance and public policy.

In the latter part of the thirteenth century it was deemed desirable to make this body more representative of the existing economic elements in the nation. The Great Council represented only the large landholders. So during the thirteenth century the attempt was made to summon both representatives of the smaller landholders and of the commercial classes, which were becoming increasingly important. This was accomplished by 1295, when what has sometimes been called the "Model Parliament" assembled. To this parliament the king summoned the two archbishops, all of the bishops, and the greater abbots, all dignitaries of the Christian Church which had at that time great economic and social power as a result of its large landed possessions and its intimate relations with the daily life of the people. In addition to the dignitaries of the church there were summoned also the more important earls and barons, that is the large landholders not a part of the church, while every sheriff, the representative of the king in the county, was ordered to see that two knights were chosen from each county, and two representatives from each city. In the parliament of 1295, when it was convened, there were 2 archbishops, 18 bishops with their lesser clergy, 66 abbots, 3 heads of religious orders, 9 earls, 41 barons, 63 knights and 172 representatives of the cities.

This parliament was thus representative of all the constituent classes of English society. It was composed, as were similar organizations in continental Europe, of the three recognized orders or estates—clergy, nobility and commons—of which, aside from the peasantry, mediaeval society was composed. These orders sat in the Parliament either in person or by deputy.

This parliament, organized originally in this way, in later years was organized in two houses, one called the House of Lords and representing the large landholding class; the other called the House of Commons and representing the common people or such of them as were deemed worthy of representation. It was and was intended to be representative of class, and it was only as its powers grew that it lost a great deal of its class representative character and came to be regarded as representative, certainly so far as the House of Commons was concerned, of the nation as a whole.

The result of the development of this form of European representative government has been in the course of the centuries which have followed its adoption, the relegation of the Asiatic principle of the all powerful autocrat to a position of minor importance. In those countries in which the European idea of representative government has been most rigorously applied, the Asiatic idea has been all but abandoned. Such are the republics of the United States and France, where the President, the executive head of the Government, is elected directly or indirectly by the people and serves for a specified time and exercises only such authority as has been delegated to him by the people. Even in those countries where the monarchical idea has not been absolutely abandoned, the tendency has been to place the king in the position of one who reigns but does not govern. This has been accomplished through the device of making the ministers of the crown responsible to the Parliament. Germany is the only European country in which the Parliament has developed any strength in which this has not happened. Japan is in somewhat the same position as Germany.

The solution of the problem of government which has been made by European peoples in these latter days must be regarded as a successful one. It is, it will be noticed, in the nature of a combination of the Asiatic idea of an all powerful monarch and of the European idea of rep-

resentation of the people who are governed. This solution of the problem of government thus combines the Asiatic idea of strength with the European idea of popular co-operation, for through the consolidation of political power in a single executive head capable of effective and far reaching action this form of government is possible of application to widely extended areas and heterogeneous communities in much the same way as was the Asiatic autocratic principle. On the other hand, through the European principle of co-operative popular participation in government, it binds to the government those who are subjected to government.

Just as in the old days the European principle of popular representation, when not combined with the Asiatic idea of kingship, went down in the shock of the competition of rival political ideas, so at the present day the Asiatic idea of kingship, when not combined with the European principle of popular representation, is unable to stand up against the attack of European institutions. The most prominent characteristic of world history during the last two hundred years has been the subjugation of Asia by Europe. The one Asiatic country which has come out of the contest unscathed is Japan. And Japan is also the one Asiatic country which has made a successful attempt to combine the Asiatic and European political principles in her state organization.

The recent superiority of Europe to Asia cannot of course be entirely attributed to the European form of government. The application of the scientific method to the conduct of life and the extension of education, particularly technical education, have undoubtedly done much in increasing European efficiency. At the same time it cannot be denied, as President Eliot has pointed out in his recent report on his trip around the world to the "Carnegie Endowment for International Peace," that the insecurity of property and the absence of an impartial administration in countries under autocratic rule have acted unfavorably on the accumulation of capital, without which it is difficult if not impossible for a country to become economically strong. As President Eliot says: "Under such governments taxes are not levied and collected under public law by a responsible administration, but are arbitrarily extorted by officials who are expected to fill their own pockets and those of their connections out of the moneys or goods which pass through their hands on the way to the treasury of the despot. A man who makes himself rich by the intelligent use of his faculties and of such possessions as can be temporarily concealed is liable to be 'squeezed' by the powerful officials of the district in which he lives. When the rich man dies, the property he leaves is liable to be heavily mulcted as it passes to his descendants. Evidently there can be but little accumulation of capital in the hands of a people ruled by such a government." "The idea of equal laws," he adds, "does not comport with autocratic government; but life and property are never secure in the absence of equal laws and of an administration of justice which commands public confidence; and where life and property are not secure capital may not accumulate, the property of one generation cannot be safely transmitted to another, the family bond is deprived of the support which the lawful inheritance of property gives, commerce and manufacturing industries on a large scale cannot be established, and the kind of civilization which has been developed under constitutional government in the nineteenth century is impossible." Furthermore, it may be said that under the conditions, which are ordinarily incident to autocratic government, the government secures with difficulty effective co-operation from the people who are governed. They are apt to regard the government with fear and hatred rather than with confidence and affection. They consider it an oppressor and themselves the oppressed, and where they do not openly oppose it, they offer to it a passive resistance which makes efficient government well nigh impossible.

It may therefore be said with safety that one of the great causes of modern European efficiency is the form of government which in the last two or three hundred years has been evolved in most countries possessing European traditions.

The form of government which has been evolved in recent years in most European countries has not only shown itself to be more efficient than Asiatic autocracy, it has also, because of the habits of political co-operation which it has secured, encouraged a general spirit of co-operation among the people which has affected their life along other than political lines. The whole industrial and economic life of European peoples is based upon a degree of effective social co-operation which does not find its counterpart in any Asiatic country not as yet subjected to the influences of European governmental ideas. Just as patriotism lies at the foundation of political co-operation, so the sense of trusteeship, what the European law terms fiduciary obligation, lies at the foundation of social non-political co-operation, upon which has been built the great superstructure of all company enterprise. Without this company enterprise the most marked triumphs of European commercial and industrial life would have been impossible.

It may therefore be said that European governmental ideas have shown themselves in the shock and stress of actual life superior to those of Asia. The constitutional government of Europe in its present development has shown itself superior to Asiatic autocracy in making the nations which have enjoyed it both politically independent and economically powerful.

In a number of countries which have had European traditions, such as the so-called Republics of Central and South America, the attempt has been made to organize parliamentary institutions, but little, if any, attempt has been made to base them, as European parliamentary institutions were originally based, upon the economic interests of the country. It has been assumed that strong and effective parliaments could be established along the latest lines of European political development; that is, that they could be formed in their initial stages out of representatives of districts rather than of interests. The results have almost invariably been unfortunate. Such

parliaments have seldom if ever developed any strength. They have not had their roots in the economic life of the people. They have been composed merely of representatives of heterogeneous masses of people who have not been conscious of any common interests. Not really representing anything in the national life, they have not been able to exercise any effective control over those who have in their hands the actual power.

As the governments of these countries had their origin in revolutions which overthrew the king by whom they were formerly ruled, these countries have experienced during the century of their existence the disadvantages of autocratic government without any of the advantages which attach to an hereditary autocracy. An hereditary autocracy has the great advantage of securing to the country the freedom from disturbances which are attendant upon a change of rulers, where the rule of succession has not been clearly established and is not practically universally recognized.

China has been spared many of the evils which have been during the last century incessant to government in South and Central America. Although during the last two thousand years she has changed her dynasties, as a result of either domestic rebellion or foreign conquest, once in every three or four hundred years, she has not attempted in the past on the occasion of the overthrow of a dynasty to set up a co-called republic, but has been content to accept as her form of government what has been spoken of as hereditary autocracy.

Within the last two years, however, China has departed from her traditions and has attempted to establish a republic. This attempt has been made, however, without any such experience as most European countries have had in parliamentary government. In other words, the attempt has been made to establish a republic before the foundations have been laid for a parliament. China, therefore, is in much the same position as were the South American countries when they threw off the yoke of the Spanish absolute monarchy. China is liable, if her position is not clearly apprehended, to pass through the same unfortunate experiences which have been characteristic of recent South American political life, and which find their most notable manifestations in the occurrences now taking place in Mexico. For, while it is perfectly possible here in China to establish a temporary autocracy under the name of a republic, it is difficult if not impossible to establish an hereditary autocracy. Royal families are not produced in a day. Furthermore, the leaven of Western European political ideas has been so busy at work in China that the establishment of hereditary autocracy is now more difficult than it formerly would have been. It must therefore be admitted that China must choose between a succession of temporary dictatorships, accompanied by all the evils which are incident to a change of political power under these conditions, and the establishment of some form of representative government which is suited to her needs. In other words, the choice must be made between, on the one hand, what is in the long run probably the worst form of government which a country can have, namely, a military dictatorship with no fixed rule of succession except that of force, and, on the other hand, some sort of parliamentary government. China's relations to foreign powers makes the choice of a military dictatorship a perilous one from the point of view of her political independence. For the disturbances which usually accompany that form of government will be liable to invite foreign intervention.

If the choice which is made is, as it undoubtedly should be, in favor of representative government, it must be acknowledged at the outset that the task which will have to be undertaken is not an easy one, and that its immediate accomplishment may not be expected. For the establishment of such a form of government in the conditions which exist at the present time in the country is much less easy than the establishment of a temporary dictatorship. But the man or men who set themselves to this work will, if successful, make for themselves a name which few persons ever have the good fortune to leave behind them. They will also have participated in conferring benefits upon their country whose value will be inestimable.

How, now, should they go to work? It may be said at once that they cannot be successful unless they secure the co-operation of that portion of the Chinese people which counts for something in the life of the nation. It is possible through the use of force to establish a temporary dictatorship, but it is impossible to establish a form of representative government in a country in which the leading people do not wish to be represented.

It may be said also that little aid in the solution of this problem can be obtained from the experience of European countries in the immediate past. A study of modern European political institutions is of little value, since they all have their roots in a past which is quite different from that of China and owe such success as they may have to the fact that they are in more or less accord with the economic and social conditions of the country in which they are to be found. Such value as China may find in a study of European political institutions must come rather from the study of their past development. For it may be that the study of that development will reveal the fact that at one time conditions in European countries were similar to, if not identical, with the conditions now existing in China. So far as this is the case, there is a presumption that what suited European conditions of former days may suit Chinese conditions of the present day.

Now the one lesson which the history of the parliamentary development of Europe, and particularly that of England, teaches us is that this form of government found its origin in the attempt to represent the needs and aspirations of the economic and social classes which really counted for something in the life of the state. It was the Church, the landholding interest and the merchants alone which it was attempted to represent in the early English Parliament and the other less important representative bodies on the continent of Europe. The Christian Church was represented because the church was of vast importance, owing both to its ownership of land and

to its intimate relations with the daily life of the people. The landholders and the merchants were represented because they had economic power. Because these classes had great actual power, it was believed to be desirable to obtain their co-operation in carrying on the government. For this co-operation having been secured, the government could act with a certainty and a power which otherwise would have been impossible. Thus where the classes in the country which it was desired to tax had, through their representatives, consented to the tax, its collection was made more easily and with much less friction than would have been the case had the tax been imposed as a result of the mere order of the Crown. Thus again the Parliament afforded an opportunity for those who believed that they were aggrieved by the action of the Crown—and such grievances are almost unavoidable under any system of government—to state what those grievances were and ask for their redress.

The immediate effect of the establishment of parliamentary government was thus to bring the governed and their governors together in such a way that through their co-operation due consideration might be given to the really important social and economic interests of the country. As new classes became of importance provision was gradually made that they also should be represented. But it was not usually until these classes became so conscious of themselves that it was possible for them to become organized that any great regard for them was had.

Such a method of representative government may not seem ideal to those who are acquainted only with modern European political institutions which have in large measures abandoned the idea of class representation, but it had the tremendous advantage of offering opportunities for the immediate and practical solution of existing problems and of permitting new interests to make themselves heard as they became of sufficient importance to justify the grant to them of representation. It must not be supposed either that this development was an altogether peaceful one. For it was not. It was accompanied by much agitation and disturbance upon the part of those interests which were not represented and which thought they should have representation, as well as by resistance to change upon the part of those interests at any particular time in control of the government. In more than one case civil war broke out when the resistance of these interests to the widening of representation could not be overcome in any other way. But the whole course of European political history would seem to show an almost continuous development in the direction of according representation and participation in the government to all the social and economic interests in the state which were really important.

But representation of social and economic interests was not the only important characteristic of early European representative government. Popular election was almost never resorted to as a means of securing the desired representation. In some cases there was no election whatsoever. Thus originally the English House of Lords was composed of those who were individually summoned by the Crown. In other words, the membership of that body was due to appointment rather than election. Where election rather than appointment was the rule, the electors were a very narrow class of voters, consisting, in the case of the merchant class, often practically of only the guilds in the cities. Indeed it was only in the open country that any uniform system was adopted. Here it was only those who had a reasonably large income from landed property who might vote for the knights who represented the counties. In the cities the matter was determined largely by local custom, which itself was presumably due to the peculiarity of social conditions.

If, then, China were to attempt in the organization of a representative system suited to her conditions to follow European, and particularly English, example afforded at a time when European social and economic conditions resembled much more closely Chinese conditions than do modern European conditions, she would endeavor to provide for:

First. Representation of those economic and social elements or interests which in the immediate past have counted and at the present time count for something in the life of the country.

But, if I am correctly informed, there is no interest in China at the present time which offers the counterpart of the Christian Church in mediaeval Europe. There has never been in China an established church occupying a position similar to that occupied by the Christian Church. There are, in addition to Confucianism, a number of religions which have exerted a tremendous influence on the life of the people, but none of them has the organization which the Christian Church of the Middle Ages possessed. None of them means to the Chinese what the Church meant in those days to the people of Europe. Even Confucianism itself, which many regard as a system of ethics rather than a religion, although accorded almost as much reverence by the Chinese as was accorded to the Christian Church by mediaeval Europeans, has no such power as had that Church. In the first place it has no such compact and effective organization as had the Christian Church. In the second place it owns no such masses of property as were formerly owned by the Christian Church. No religion, then, not even Confucianism, if we regard that as a religion, has the actual power and influence in the State as the Christian Church once had in Europe. It would, therefore, in the conditions now existing in China, be vain and useless, even if it were desirable, to attempt to give any religious organization as a religious organization such representation as was accorded in Europe to the Christian Church.

One of the peculiar characteristics of China's life, however, has been the esteem and reverence in which men of learning and letters have been held from almost time immemorial. The literary class has, it might almost be said, been to the Chinese what the Christian Church was to the Europeans of the Middle Age. China has indeed for many years been governed by the literary class in much the same way that Europe was at one time governed by the Ecclesiastics. China has, it is true, in the immediate

past widened the field of what she regards as useful knowledge. She has added to her ancient classics, which for so long a time exerted over her people almost the only intellectual influence to which they were subject, much of the more practical learning of Western Europe. Many of her young men have studied abroad. Others in greater numbers are now being subjected to Western intellectual influences in the educational institutions which have been established in the country. But it may not properly be said that China has cast off her reverence for men of learning.

If this is the case, men of learning still form a class which counts for a great deal in China's national life, and should be accorded representation in any representative assembly that may be provided.

Just as there is no church in China which is capable of being represented as an organization, so there is no large landholding interests which may be represented in a representative assembly in the same way in which the large landholding aristocracy was represented in the English House of Lords. If I am correctly informed, land is generally held in China in small parcels. There are, it is true, a few large landed estates, but the class which owns them is too few in numbers and as a class owns too small a proportion of the land in the country to assume such a position of influence in the economic life of the people as would justify the grant to them of representation as a class.

So far as concerns the representation of the land-holding interests, we have in China only the small landholders who are sufficiently important as a class to deserve representation. But while the small numbers of the large landholders make it difficult, if not impossible, to give them representation as a class, so in the case of the small landholders their very number makes it almost useless to attempt to give them representation as a class at present; for their numbers, when taken together with their lack of acquaintance with methods of effective political co-operation, make it useless to expect that any good results would follow the attempt to give to men merely because they are the owners of small parcels of land the right to be represented in a representative assembly.

The only possible way in which the landholding class could advantageously be represented would be by some method of indirect representation. If provision were made for the presence in local assemblies of representatives of agricultural property, it would perhaps be feasible to give to such local assemblies the right to choose among the landholders of the district possessing a minimum amount of land certain members of the national representative assembly.

While there are no church and no large landholding interest which may be relied upon in any large measure as basis for a representative assembly, we do find a commercial class, conscious of its common interests, which has, because of this consciousness of common interest, already secured a strong organization. If I am correctly informed, there are in almost all the important cities of China merchant and trade gilds in which are organized most of the important merchants and artisans of the city. For the most part each trade has its own gild, which is so well organized that no one pursuing the particular trade can follow it with any hope of success unless he is a member of the gild and abides by its decisions. As Mr. Morse says in his little work "The Gilds of China" (p. 21): "The trade gilds have grown up apart from and independent of the government; they have moulded their own organization, sought their own objects, devised their own regulations and enforced them in their own way and by their own methods. Working thus without support or restraint from the government of the Empire or the city, the Chinese gilds could easily have remained entirely without power; but, partly from the irresistible dead-weight force of an Asiatic democracy, partly because the agents of government are drawn from the mercantile class, partly because the gild is able to profit from the business instinct which is so strongly developed in the official mind, and partly because of the enormous impulsive power of a mediaeval form of public opinion and the development of the boycott by centuries of practical use, the gilds have in fact obtained an enormous and almost unrestrained control over their respective trades."

Up to the present time these gilds have, except in rare instances, had little if any connection with the government. They have, however, discharged functions such as the regulation of trade, which in other countries have often been regarded as functions of government. Furthermore, as Mr. Morse points out, one gild, at any rate, that is "The Great Gild of Newchwang," which is composed of the principal Chinese bankers and merchants of the port of Newchwang, performs as an unofficial municipality duties which elsewhere are usually attended to by the constituted municipal authorities. Thus it "maintains streets, drains and reservoirs; controls the common lands; relieves the poor; maintains or supports charitable societies," etc. (Morse, The Gilds of China, p. 49.)

It would seem, then, that China has in the merchants of the country an economic class of great importance to the life of the people, which is conscious of a common interest and has already shown itself capable of securing an organization of considerable strength. If this is the case, the attempt should be made to use this merchant class as one at any rate of the foundation stones upon which to construct a representative system. One of the difficulties in the way of carrying out such a plan is to be found in the fact that the government of China has, like most autocratic governments, always been regarded with distrust if not with fear by the people generally. The merchants offer no exception to this rule. This being the case, the attempt to confer upon the gilds official functions may, because of their unwillingness to assume such functions, be a vain one. This difficulty would, however, be encountered only in case the attempt were made to make the gild as such the voter to be represented.

This consideration naturally brings up the question, How should the interests recognized as deserving representation secure their representation? Attention has already been called to the fact that popular election was

not the ordinary method of securing representation in the early history of the English Parliament. In fact, appointment by the Crown was the way in which the members of what is now the English House of Lords originally were selected.

It would be possible to secure a representative body through the method of appointment in those cases where the class to which it was desired to give representation either were so unconscious of a common interest as to be incapable of organization, or were so fearful of the results of a close connection with the government as to be unwilling to give to the proposal that they should be represented their cordial support. Under such conditions resort would necessarily have to be had to appointment.

In case the method of appointment were adopted as the method of selecting all or a portion of the members of a national representative assembly, care would have to be taken by the appointing power to exercise the power of appointment in such a way as to secure representation both of locality and of economic and social interest. A certain number of representatives should be accorded to each large local district, such as a province, and to each economic or social interest, such as the literary, the landholding and the merchant class in that district. The number of members so accorded to both district and class should be commensurate with the importance of the district and the class.

In order to secure locality representation, it may be suggested that it would be advisable that the power of appointing a certain number of the appointed members should be exercised not by the central government at Peking, but by the chief officers of the largest local districts or by the local councils in such districts. One of the great advantages of such a solution of the problem would be that the central government would be brought and kept in close touch with the local government. It would, furthermore, obviate the necessity for more than one direct popular election, that is, the election of the members of the local councils, and frequent and numerous popular elections are to be avoided for the present in China. The people are as yet unaccustomed to them; indeed, almost any form of political co-operation is almost unknown.

The only other question arising in connection with a Representative Assembly is whether it should consist of one or two chambers. It may be admitted at the outset that the two chamber system is the accepted form of parliamentary organization in most modern states. The origin of this system is, however, the result in a measure of an accident. The mediaeval representative bodies of Europe were, as has been pointed out, organized with the idea of securing representation to the three great social and economic interests in the state, that is, the church, the landholding aristocracy and the merchant class. These three orders, or estates, as they were called, were originally almost everywhere throughout Europe organized in three separate chambers. England was no exception to the rule. As Professor Ogg says (The Governments of Europe, p. 13): "Originally the three estates sat separately. Their primary business was the voting of supplies, and, the principle being that a tax ought to be conceded by those who were called upon to pay it, the natural course was for the lords to grant their scutages and aids, the commoners their tenths and fifteenths, and the clergy, their subsidies, apart. Gradually, however, there appeared certain affiliations of interests which operated to modify the original practice. * * * The greater clergy and the greater barons * * * developed sufficiently large interests in common to be amalgamated with ease in one body. Similarly the lesser barons found their interests essentially identical with those of the county freeholders represented by the knights of the shires and with those of the burgesses [the representatives from the cities and therefore of the merchant class]. The upshot was a gradual alignment of the aggregate membership into two great groups, the one of which became historically the House of Lords, the other the House of Commons."

Such was the origin of what has in the scientific nomenclature of government become known as the bicameral organization of the legislature. This general form of legislative organization has, however, been preserved in most countries, either because of the desire to imitate what had proved itself to be a successful model or because of reasons peculiar to the particular country. Thus in many modern countries there is an aristocratic landed holding class which has been sufficiently powerful to secure representation in an upper House, a House of Lords. This is the case in most of the European monarchies. Thus again in other countries, which are confederations of formerly more or less independent communities, the upper house, or Senate, as it is often called, has been retained in order to provide representation for the local communities by whose union the confederation was formed. This is the case with the United States, the German Empire, the Dominion of Canada and the Commonwealth of Australia. Finally, it is to be remarked that it is often said by political writers that the bicameral system has a great advantage in that it necessarily subjects all matters upon which favorable action by the legislature is taken to a double examination and consideration, in that under the system each of the two houses of the legislature must give its approval. It is, however, to be observed that this belief in the desirability of double consideration has not stood in the way of the movement, which it seems has already been entered upon, to reduce the Upper House to a position of powerlessness, where such action has been necessary in order to settle conflicts which arise between the two houses of the legislature. Thus the recent Parliament Act of 1911 has had the effect of reducing greatly the power of the present British House of Lords.

It may, then, be said that the real reasons which at present result in the retention of the bicameral system are either the desire to secure the representation of an aristocratic class or the belief that in a confederation the states or provinces of which the confederation is composed shall be given representation as such.

It would seem, therefore, that unless great weight is to be given to the feeling that double deliberation is desirable, there is really no reason under the conditions which exist in China for giving the bicameral form to any representative assembly which may be established. China has no need of a legislature consisting of two chambers; for she has no landholding or other aristocracy nor states or provinces to which it is necessary to give representation. While there are thus no compelling reasons in the situation of China in favor of the bicameral system, there are some reasons of great weight against the adoption of the bicameral system. In the first place, China has practically no experience with a legislative body. For centuries, for millenniums we might say, China has existed under the characteristic Asiatic form of government, which, as has been pointed out, has concentrated all political functions in one all powerful monarch. Lacking all experience of a representative legislature, the country will find it at first difficult to adjust itself to the new conditions which will result from the establishment of a representative Assembly. It is, therefore, extremely desirable that the form of the new political organization shall be as simple as possible, and that that form shall, as far as may be, avoid opportunity for conflict between the different parts of the political mechanism. While double deliberation may under certain conditions be desirable, it is to be remembered that the necessity of the approval of two different bodies, in order that effective political action may be taken, makes it

altogether probable that there will be conflict between these two bodies. Conflict, however, is at the present moment just the thing which should be avoided. What is needed now is prompt effective action with regard to the many problems which are pressing for solution.

In the second place, if we may judge from past European experience, any representative body which may be established in China will, because of the lack of all legislative traditions, be rather a controlling body, which in the first years of its life should exercise its powers of control sparingly and with great discretion, rather than an initiating and guiding body. In other words, for quite a time to come the functions of a Chinese representative body should in large measure be consultative and advisory. This being the case, the existence of two such bodies, whose advice might be contradictory, might tend to introduce confusion into the operations of government and be a hindrance rather than an aid to effective government. If the functions of the representative body were to include, in addition to consultative and advisory functions, functions of serious and effective control and approval of the action of the executive branch of the government, these considerations would have still greater weight; for it is always more difficult to obtain the approval of two bodies than that of one.

For these reasons, then, it would seem desirable that the representative body of the Chinese Republic should consist of a single chamber rather than of two chambers.

The existence of a single chamber would not, further, make it impossible to give representation to different classes. Thus the French constitution of 1791 made provision for the representation in one chamber of locality, of property owners and of the population generally a single chamber, finally, would not make it impossible to provide different methods of selecting the members. It might easily be prescribed that a certain number of the members should be selected through the method of appointment either by the central government at Peking or by the highest officers of the local districts, and that a certain number should be elected either by the local councils or by such voters as it was deemed safe or desirable to entrust with the suffrage. But only very sparing use or direct election by voters should be made for the present. Indeed, it is doubtful whether any resort whatever should be made to the method of direct election.

To be more specific, it is then suggested that the Representative Assembly of the Republic of China should be organized on the following principles:

First.—It shall consist of a single chamber.

Second.—It shall be so composed as to represent those interests in the country which count for something in the life of the people. The adoption of such a principle would involve the attempt to provide for the representation of locality, the province if that is retained, or if that is abandoned, the representation of the largest local district which may be selected. That is each of the districts so selected should have a certain number of representatives.

Third.—In addition to the representation of local districts the attempt should be made to give each of the economic and social interests in the localities a certain number of representatives. These interests are:

1. The literary class. That is a certain number of the representatives should be required to possess the qualifications which, it may be decided, indicate the requisite degree of learning. The only practicable method for determining the possession by a given person of such qualifications is the requirement that he shall have pursued a certain course of training which shall be evidenced by a diploma or degree.

2. The landholding or agricultural class. That is a certain number of the representatives should be the owners of a certain amount of landed property.

3. The merchant class. That is a certain number of the representatives should be merchants doing business in some one of the cities of a certain size in the Republic.

Fourth.—There should be provided several methods of selecting the representatives.

1. The local councils, which should be organized in somewhat the same way so that they may represent the same interests which are represented in the National Representative Assembly, should be given the right to select a certain proportion of the numbers of the latter body.

2. The highest officers of the local districts should also have the right to appoint a certain proportion of the numbers of the National Representative Assembly so that they may be able after the local councils have taken action to select members of the National Representative Assembly representing the district in such a way as to secure, as near as may be, the proper proportion of members representing each class which is represented.

3. Finally, the President should have the authority to appoint a certain number of the members of the National Representative Assembly so that he may give seats in that body to men who have had experience in public life or whose distinction acquired in other works of life makes it desirable that they should participate in its deliberations. It would be well if those appointed by the President should have long terms of office—not less than ten years, for example—and should not lose their seats in case of a dissolution, if the power of dissolving the assembly is conferred upon the President.

Fifth.—The President shall have the power to dissolve the assembly, in which case the term of office of all members except those appointed by the President should terminate. In case the term of office were not brought to an end by dissolution it should be not less than four or five years.

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The American Asiatic Association took part in the organization of the National Foreign Trade Council and its members are necessarily in entire sympathy with the work of the Standing Committee appointed at the Conference of the representatives of the financial and commercial interests of the country, in which the Council took a leading part, in Washington on August 14. The purpose of that committee is, broadly speaking, to remove existing obstacles to the expansion of the foreign trade of the United States, and to assist American manufacturers and merchants in meeting the new demands which the disorganized condition of European commerce and industry must inevitably bring to them. It is the obvious duty of every commercial organization in the United States, each in its own way, to tender the committee such advice and assistance as the knowledge of its own special field may enable it to supply. The American Asiatic Association represents a well-defined branch of the complex activity of the country's foreign trade, and one in regard to which no other authority can so competently speak. It is, therefore, eminently fitting that our members should give the Executive Committee of the Association the benefit of any suggestions they have to make bearing on the present emergency and opportunity. Even in the Asiatic field of American commerce there is, doubtless, something yet to be done toward meeting the special preferences, tastes, or long-standing customs of the possible buyers of the merchandise which we have to sell, but there is probably more to be done in making buyers familiar with the established American standards which govern the production and distribution of certain staple articles which we contribute to the commerce of the world. The two lines of effort should be mutually helpful, but both can be greatly facilitated by a free interchange of views among those immediately interested. The Executive Committee of the Association specially desires to have the benefit of any information which can be effectively used to further the common end. The committee is virtually in permanent session for the consideration of questions presented by the new and daily recurring phases of the world's commercial opportunities which demand attention.

In the report of the Chinese Maritime Customs, which is reproduced elsewhere, the most encouraging passages relate to the rapidity of the process of commercial recovery in the but lately distracted Republic. The Statistical Secretary finds it difficult to reconcile with the record he makes of internal conditions, the figures of values and revenue which the report contains—figures demonstrating

to those who know least about them. President Tyler said in 1843 that "the Chinese loved to trade with our people and to sell them tea and silk for which our people pay silver, and sometimes other articles." Our people have been trying ever since to pay for their purchases in China in, "other articles" with somewhat varying success. In the judgment of the experts of the Merchants' Association, "as far as amounts of goods are concerned, the chance to build up a trade in China is far superior to the present opportunity in South America, although it is true that the needs of the two countries vary widely." This is unquestionably true, but perhaps it might be as well to make a careful study of the efforts which have been made up to date to expand our trade with China before making any confident generalizations in regard to the future.

THE contribution of the Honorable E. T. Williams, Chief of the Division of Far Eastern Affairs in the Department of State to the discussion of "Far Eastern Trade Conditions," which is elsewhere reproduced, is calculated to make a more direct appeal to the practical business mind than the outgivings of either the National Association of Manufacturers or the Merchants' Association. Mr. Williams very truly remarks that while Americans can and ought to increase their trade with the Far East, they must not deceive themselves into the belief that there will be any great or rapid increase in that trade. The disturbed conditions in China which have prevailed with but slight interruption since 1911 necessarily told upon her export trade. In order to buy, China must have something to sell, but production had fallen off and less than usual was being transported to the coast ports for shipment abroad, so that China's purchasing power was lessened. Though the low price of silver might have been expected to stimulate export trade, the goods were not on hand in the usual quantities for shipment. But this low price of silver was a hindrance to the import trade, since more silver dollars were needed to make payments on the basis of gold value. Finally, the war has introduced an element into the situation which compelled the chairman of directors of the Hongkong & Shanghai bank to say at the half-yearly meeting a month ago that the tremendous events happening in Europe had suddenly clouded the outlook in China which was, up to that time, full of promise. There can be no question about the commercial and financial demoralization which has come in the footsteps of the European war to China, because the influence is world-wide, and the breakdown of international exchanges is necessarily felt most acutely where their activity was most vitally important.

WHILE a little extravagance may be pardoned in the appeals addressed to the American manufacturer to do his utmost to conquer the markets of the world, the Foreign Trade Commission administers what is on the whole a salutary reproof to the hectic "boomers" of foreign trade in its statement that "the wave of enthusiasm which has swept over this country based on the theory that South America is ready for immediate trade exploitation is regarded by confident authorities as a dangerous form of hysteria. The consensus of opinion is that any sane movement which is safeguarded by diplomacy and tact and reenforced by patience will be fruitful. Any propaganda that is hopeful of any more immediate results will end in disappointment and discouragement which will have a serious reactionary effect." For "South America" read "China" and the caution will be equally well placed.

UNDER date of August 25, Reuter's Agency in Tokio states on the highest authority that the policy of Japan in declaring war on Germany is approved by the Emperor, the Genro, the Privy Council, the Cabinet and the leading business men of Japan. Japan will restore Kiao-Chou to China and preserve her territorial integrity. The terms of the ultimatum will be adhered to, whether Tsingtau is taken by force or otherwise. Japan realizes that she is suddenly faced with responsibilities and must act with the utmost circumspection, especially in view of the campaign of misrepresentation which is world-wide, and the prevailing misunderstanding of Japan's real motives, conditions and policies. The present is declared to be perhaps the most critical moment in the history of Japan because she must, once and for all, eradicate the suspicion of her motives prevailing in the United States which has been fostered by years of anti-Japanese agitation. Partition of China or violation of her integrity lie quite outside of the aims of Japan. On the contrary, Japan desires the friendship and confidence of the Peking government and the removal of suspicion for all time, were it only for the better promotion of her trade activity in China. Moreover, it is asserted to be to the interest of Japan to co-operate with Great Britain and the United States in China, and it would certainly be fatal for her to attempt to oppose or block the commerce of either country.

ALL of which has had the desirable effect of allowing the Chinese Government to breathe more freely than it was able to do at the time of the delivery of the Japanese ultimatum to Germany. The Chinese saw in that stroke of policy the recovery of the colony of Kiao-Chou, but they were unable to satisfy themselves as to the definition of the word "eventual." Probably they have not satisfied themselves yet, but they have come to see that Great Britain, standing behind Japan in this move, is manifestly committed to the observance of the strictest kind of good faith. Hence, the conviction has become a settled one that just as Britain is fighting for the integrity of Belgium, she is keenly alive to the responsibilities which lie upon her shoulders with regard to China, and that she may be trusted to see to it that Japan will hand over Kiao-Chou to China within a reasonable time after its capture from Germany.

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, 1913 and 1914.

EXPORTS TO CHINA.

Months.	Cotton Cloths. Yards.		Mineral Oils (illuminating). Gallons.		Wheat Flour. Barrels.	
1912						
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
November	4,465,586	312,753	4,610,300	267,220	1,626	6,591
December	4,140,282	285,499	3,208,710	266,649	8,096	30,853
1913						
January	7,096,890	481,040	2,988,096	134,464	11,264	44,611
February	7,005,113	489,324	3,385,530	293,367	35,988	139,183
March	8,576,182	561,677	7,817,080	442,421	47,313	178,385
April	10,679,063	743,675	7,110,600	642,584	19,450	76,933
May	14,491,282	1,022,369	13,645,100	955,947	240	971
June	11,866,362	835,725	13,914,180	1,178,370	100	400
Total	80,461,847	$5,584,985	79,015,610	$5,761,597	127,814	$493,364
July	13,861,576	947,287	7,367,800	400,559	8	48
August	5,839,825	398,458	2,029,963	101,498	3,128	12,545
September	12,126,195	815,514	7,188,242	388,354	13,763	53,191
October	8,478,971	606,864	5,586,934	403,697	36,881	150,509
November	6,030,732	414,584	11,169,900	763,814	22,163	80,728
December	10,123,497	696,682	1,587,995	142,924	19,403	76,033
1914						
January	5,834,057	374,844	5,862,678	550,580	20,438	83,928
February	5,917,505	386,094	3,933,710	365,668	9,128	37,567
March	3,480,246	234,926	10,357,055	761,109	6,842	25,543
April	7,774,295	523,534	10,576,471	850,158	1,192	4,960
May	4,649,948	343,630	6,672,558	633,491	863	3,825
June	5,039,603	353,991	13,673,612	986,760	2,565	11,277
Total	89,156,450	$6,096,408	86,006,918	$6,348,612	136,374	$540,154

EXPORTS TO HONGKONG.

1912						
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
November	60,138	9,400	600,000	52,325	101,682	401,414
December	155,414	15,971	.....	.....	63,521	250,274
1913						
January	636,832	43,454	1,425,810	151,888	60,862	228,941
February	163,478	25,420	.....	.....	102,121	410,463
March	196,668	29,815	.....	.....	129,461	492,019
April	211,034	33,938	1,195,000	117,707	120,249	478,075
May	161,310	26,267	2,311,000	212,612	160,755	642,322
June	109,841	17,046	2,235,000	205,620	76,636	308,268
Total	2,116,819	$264,225	7,767,090	$740,181	1,301,306	$5,126,960
July	101,998	16,568	3,659,160	258,103	143,689	572,237
August	155,718	20,489	.....	.....	49,897	202,209
September	109,192	16,476	487,143	45,342	27,423	105,366
October	132,835	20,351	2,755,658	161,053	157,358	617,471
November	47,646	6,924	950,000	89,300	174,918	699,052
December	55,790	10,469	850,000	79,899	191,375	736,979
1914						
January	26,947	4,210	3,069,936	154,129	156,240	630,482
February	37,817	5,925	2,313,350	137,351	45,483	182,177
March	25,151	4,034	60,770	6,182	84,138	328,602
April	34,782	4,823	2,591,000	145,570	37,677	148,345
May	68,994	10,245	1,650,000	74,250	19,915	76,043
June	22,030	3,856	1,706,300	170,630	52,982	202,709
Total	818,900	$124,370	20,093,317	$1,321,809	1,141,095	$4,501,672

WASHINGTON, D. C., July 28, 1914.

DEPARTMENT OF COMMERCE,
Bureau of Foreign and Domestic Commerce.

Imports of Tea and Silk into the United States for the twelve months, ending June 30, 1912, 1913 and 1914.

TEA.	1912.		1913.		1914	
Imported from	Pounds.	Dollars.	Pounds.	Dollars.	Pounds.	Dollars
United Kingdom	12,887,949	3,538,200	12,238,114	3,619,098	14,077,601	3,858,970
Canada	2,558,583	734,769	3,024,508	874,544	3,112,383	864,814
China	17,605,670	2,260,949	23,728,418	3,247,761	20,139,342	2,755,512
East Indies	13,760,787	2,306,726	10,411,288	1,693,872	10,551,735	1,813,131
Japan	53,747,386	9,213,402	44,381,278	7,793,197	41,913,273	7,171,202
Other countries	846,441	153,095	1,029,194	205,216	1,336,481	271,673
Total	101,406,816	18,207,141	94,812,800	17,433,688	91,130,815	16,735,302
RAW, OR AS REELED FROM THE COCOON. SILK.						
Imported from	Pounds.	Dollars.	Pounds.	Dollars.	Pounds.	Dollars
France	91,387	334,660	130,354	382,823	66,230	236,228
Italy	2,058,456	7,467,623	2,802,455	10,420,913	1,997,428	8,781,430
China	4,776,506	11,399,407	5,510,607	13,536,714	5,926,745	15,918,730
Japan	14,493,131	47,316,331	17,425,353	57,192,420	20,196,212	71,344,861
Other countries	190,040	655,361	180,703	614,653	408,057	1,546,994
Total	21,609,520	67,173,382	26,049,472	82,147,523	28,594,672	97,828,243

THE CONSTITUTIONAL COMPACT OF THE CHUNG HUA MIN KUO

Translated by

SAO-KE ALFRED SZE, A.B., M.A. AND T. Y. LO, M.A.

Translation Revised by

PROF. FRANK J. GOODNOW AND DR. N. ARIGA,
Advisers on Constitutional Law to the Chinese Government.

CHAPTER 1.—THE NATION.

Art. 1.—Chung Hua Min Kuo is composed of the citizens of Chung Hua.

Art. 2.—The sovereignty of the Chung Hua Min Kuo originates in the whole body of the citizens.

Art. 3.—The territory of the Chung Hua Min Kuo continues the same as that of the former Empire.

CHAPTER 2.—THE CITIZENS.

Art. 4.—Citizens of the Chung Hua Min Kuo shall be equal before the law, irrespective of race, rank or religion.

Art. 5.—Citizens shall enjoy the following rights:—

(*a*) No citizen shall be arrested, imprisoned, tried or punished, except in accordance with statute.

(*b*) The habitation of any citizen shall not be forcibly entered into or searched, except in accordance with statute.

(*c*) Within the limits of the statutes citizens shall have the right to own and enjoy property and to trade freely.

(*d*) Within the limits of the statutes citizens shall have the rights of freedom of speech, of writing and publication, and of assembly and association.

(*e*) Within the limits of the statutes citizens shall have the right of secrecy of correspondence.

(*f*) Within the limits of the statutes citizens shall have the right of freedom of abode and of changing the same.

(*g*) Within the limits of the statutes citizens shall have the right of freedom of religious belief.

Art. 6.—In accordance with the provisions of the statutes citizens shall have the right of petitioning the Legislature.

Art. 7.—In accordance with the provisions of the statutes citizens shall have the right to institute proceedings in the Courts of Law.

Art. 8.—In accordance with the provisions of the statutes citizens shall have the right of petitioning administrative officers and of lodging complaints with the P'ing Cheng Yuan.

Art. 9.—In accordance with the provisions of law and ordinance citizens shall have the right to attend the examinations for the appointment of officers and to enter the public service.

Art. 10.—In accordance with the provisions of the statutes citizens shall have the right to elect and to be elected.

Art. 11.—In accordance with the provisions of the statutes citizens are subject to the duty of paying taxes.

Art. 12.—In accordance with the provisions of the statutes citizens are subject to the duty of performing military service.

Art. 13.—The provisions made in this Chapter, that are not in conflict with the law, ordinances and discipline of the Army and Navy, shall be applicable to persons belonging to the said services.

CHAPTER 3.—THE PRESIDENT.

Art. 14.—The President is the head of the Nation and combines in himself all the powers of government.

Art. 15.—The President shall represent the Chung Hua Min Kuo.

Art. 16.—The President shall be responsible to the whole Nation.

Art. 17.—The President shall convoke the Legislature and open, prorogue and close its sessions.

The President, with the concurrence of the Council of State, may dissolve the Legislature; in the case of dissolution new members must be elected and the Legislature convoked within six months from the date of dissolution.

Art. 18.—The President may initiate legislation and shall lay the estimates before the Legislature.

Art. 19.—For the promotion of public welfare, for the execution of the statutes, or in pursuance of authority granted by statute, the President may issue or cause to be issued ordinances, but no ordinance shall alter any statute.

Art. 20.—In order to maintain peace and order, or to avert extraordinary calamities, at a time of urgent necessity when the Legislature cannot be convoked, the President, with the concurrence of the Council of State, may issue emergency ordinances having the force of law; but such ordinances shall be submitted to the Legislature for ratification at the beginning of its next session.

Should the said emergency ordinances be rejected by the Legislature, they shall, thereafter, be null and void.

Art. 21.—The President shall prescribe and determine the organization of all offices and shall issue the regulations fixing the duties of officials.

The President shall appoint and dismiss civil and military officers.

Art. 22.—The President shall declare war and conclude peace.

Art. 23.—The President is the Commander-in-chief of the Army and Navy, and leads the land and sea forces of the Nation.

The President shall determine the organization and the strength of the Army and Navy.

Art. 24.—The President shall receive foreign ambassadors and ministers.

Art. 25.—The President makes treaties; but should articles therein provide for any change of territory, or increase the burdens of the citizens, the concurrence of the Legislature shall be required.

Art. 26.—The President may, in accordance with the provisions of the statutes, declare a state of siege.

Art. 27.—The President may confer titles of nobility, rank, orders and other marks of honour.

Art. 28.—The President may grant general amnesty, special pardon, commutation of punishment and restoration of rights. In the case of general amnesty the concurrence of the Legislature shall be required.

Art. 29.—When the President, for any cause, vacates his office or is unable to exercise the powers and functions connected therewith, the Vice-President shall act in his stead.

CHAPTER 4.—LEGISLATURE.

Art. 30.—Statutes shall be enacted by the Legislature composed of members elected by the people.

The organization of the Legislature and the method of the election of its members shall be prescribed and determined by the Constitutional Compact Conference.

Art. 31.—The competence of the Legislature shall be as follows:—

(1) To discuss and pass bills.
(2) To discuss and pass the estimates.
(3) To discuss and pass or approve measures relating to the assumption of public debts, and to the contracting of other liabilities to the charge of the National Treasury.
(4) To reply to enquiries addressed to it by the President.
(5) To receive petitions from the people.
(6) To initiate legislation.
(7) To submit to the President suggestions and opinions relating to legislation and other matters.
(8) To raise questions in regard to administration over which doubts have arisen and to request the President to reply thereon. But the President may refuse to reply should he deem it necessary for the matter to be kept in secret.
(9) Should the President make an attempt against the state the Legislature may institute against him impeachment proceedings in the Supreme Court of Justice, if approved by a majority of three-fourths or over, of a quorum of four-fifths or over, of the total number of members of the Legislature.

The exercise of the powers mentioned in clauses 1 to 8 of this article, and articles 20, 25, 28, 55 and 57 shall require the concurrence of a majority of the members present in the Legislature.

Art. 32.—The annual session of the Legislature shall not exceed four months in duration, but may be prolonged should the President consider it necessary. The President may call an extraordinary session during the recess.

Art. 33.—The deliberations of the Legislature shall be public, but the members may sit behind closed doors at the request of the President, or as a result of the decision of a majority of the members present.

Art. 34.—Bills which have passed the Legislature shall be promulgated and enforced by the President.

But if the President shall disapprove a bill duly passed in the Legislature, he may return the bill to the Legislature for reconsideration, with a statement of the reasons of his disapproval. Even in case that the former decision of the Legislature be adhered to by a majority of two-thirds or over, of the members present, if the President still maintain that the bill would greatly endanger and harm, either the internal administration of the state, or its foreign relations, or that there are great and important obstacles in the way of its execution, in such a case the President may, with the concurrence of the Council of State, withhold promulgation.

Art. 35.—The Speaker and the Deputy Speaker of the Legislature shall be elected from and among the members by a majority of the votes cast.

Art. 36.—Members of the Legislature shall not be held responsible, outside of the House, for their speeches, debates or for votes cast in the House.

Art. 37.—Except when discovered in the commission of a crime, or when involved in crimes connected with internal or external troubles, no member of the Legislature shall be arrested during the session without the permission of the House.

Art. 38.—The Legislature shall prescribe its own rules.

CHAPTER 5.—THE ADMINISTRATION.

Art. 39.—The President is the chief of the Administration and shall be assisted by one Secretary of State.

Art. 40.—The affairs of Administration shall be separately conducted by the Departments of Foreign Affairs, Interior, Finance, War, the Navy, Justice, Education, Agriculture and Commerce and of Communications.

Art. 41.—The Heads of the Departments shall manage the Administration of their respective Departments in accordance with laws and ordinances.

Art. 42.—The Secretary of State, the Heads of the Departments, and Special Delegates, representing the President, shall be entitled to sit and speak in the Legislature.

Art. 43.—The Secretary of State and the Heads of the Departments may be impeached by the Board of Censors and judged by the Ping Cheng Yuen should they violate the law.

CHAPTER 6.—THE COURTS OF LAW.

Art. 44.—The Courts of Law shall be composed of the law officers appointed by the President.

The organization of the Courts of Law and the qualifications of the law officers shall be determined by statute.

Art. 45.—The Courts of Law, in accordance with the provisions of the statutes, shall try and judge, independently, all civil and criminal cases. But administrative law proceedings, and other special law proceedings, shall be tried and judged according to the law governing the same.

Art. 46.—The procedure of impeachment cases in the Supreme Court of Justice, as provided for under clause 9 of Article 31, shall be determined separately by statute.

Art. 47.—In the Courts of Law trials shall be conducted and judgment shall be rendered publicly. When, however, it is considered that publicity may be prejudicial to peace and order, or to public morality, secrecy may be observed.

Art. 48.—During his term of office no law officer shall be reduced in salary, nor be transferred to another office, nor shall he be deprived of his office, except as a consequence of punishment according to statute, or if disciplinary measures entailing dismissal.

Regulations governing the discipline of law officers shall be determined by statute.

CHAPTER 7.—THE COUNCIL OF STATE.

Art. 49.—The Council of State, when consulted by the President, shall deliberate upon important matters of state.

The organization of the Council of State shall be determined by the Constitutional Compact Conference.

CHAPTER 8.—FINANCE.

Art. 50.—The imposition of new taxes and the modification of the rates of the existing taxes shall be made by statute. The taxes levied at present shall, unless changed by statute, be collected as in the past.

Art. 51.—The annual receipts and expenditures of the state shall be dealt with every year in accordance with the provisions of the estimates passed by the Legislature.

Art. 52.—In order to meet special requirements there may be included in the estimates appropriations extending over a certain number of years as a Continuing Expenditure Fund.

Art. 53.—In order to supply deficiencies in the estimates, or to meet requirements unprovided for in the same, a Reserve Fund shall be provided for in the estimates.

Art. 54.—Estimates for the objects of expenditure specified below shall not be rejected or reduced, except with the concurrence of the President:—

(1) Those appertaining to the legal obligations of the state.
(2) Such necessary expenditures as may have arisen from the provisions of statute.
(3) Expenditures necessary to carry out treaties.
(4) Expenditures necessary for the organization of the Army and Navy.

Art. 55.—In case of international warfare or internal disturbance, or in extraordinary circumstances, when the Legislature cannot be convoked, the President, with the concurrence of the Council of State, may make urgent financial appropriations. But he shall request the Legislature to ratify the same at the beginning of its next session.

Art. 56.—If the new estimates have not been acted upon the appropriations of the previous year shall continue in force. The same procedure shall be observed should the adoption of the estimates be delayed after the fiscal year has already begun.

Art. 57.—The final accounts of the receipts and expenditure of the state shall be audited every year by the Board of Audit, and shall be reported by the President to the Legislature for approval.

Art. 58.—The organization of the Board of Audit shall be determined by the Constitutional Compact Conference.

CHAPTER 9.—THE PROCEDURE FOR MAKING THE CONSTITUTION.

Art. 59.—The Constitution of the Chung Hua Min Kuo shall be drafted by the Constitution Drafting Committee.

This Committee shall be composed of persons not exceeding ten in number elected by the Council of State.

Art. 60.—The Draft of the Constitution of the Chung Hua Min Kuo shall be examined and passed by the Council of State.

Art. 61.—After the Constitution of the Chung Hua Min Kuo has been examined and passed by the Council of State it shall be submitted by the President to the National Convention for final adoption.

The organization of the National Convention shall be determined by the Constitutional Compact Conference.

Art. 62.—The National Convention shall be convoked and dissolved by the President.

Art. 63.—The Constitution of the Chung Hua Min Kuo shall be promulgated by the President.

CHAPTER 10.—SUPPLEMENTARY ARTICLES.

Art. 64.—Until the Constitution of the Chung Hua Min Kuo comes into force the Constitutional Compact shall have the same force as the Constitution.

Laws and ordinances in force before the going into effect of the Constitutional Compact, so far as they do not come into conflict with the same, shall continue to be valid.

Art. 65.—The Articles proclaimed on the twelfth day of the second month of the first year of the Min Kuo, regarding the favourable treatment of the Ta Ching Emperor after his abdication of the Throne, and the special treatment of the Ching Imperial Clan, as well as the special treatment of the Manchus, Mongols, Mohamedans and Thibetans shall never be modified.

The statute on the treatment of the Mongols, which is co-related with the foregoing Articles, shall continue to be effective unless changed by statute.

Art. 66.—On the proposal of a majority of two-thirds or over of the members of the Legislature, or on the proposal of the President, in either case if approved by a majority of three-fourths or over, of a quorum of four-fifths or over, of the total number of members of the Legislature, the President shall convoke the Constitutional Compact Conference to amend the Constitutional Compact.

Art. 67.—Before the Legislature shall have been convoked, its powers and functions shall be assumed and discharged by the Council of State.

Art. 68.—The Constitutional Compact of the Chung Hua Min Kuo shall take effect as from the date of promulgation, on which day the Provisional Constitution, proclaimed on the eleventh day of the third month of the first year of the Min Kuo, shall become null and void.

FAR EASTERN TRADE CONDITIONS

By HON. E. T. WILLIAMS, Chief of the Division of Far Eastern Affairs, in the Department of State.

That Americans can and ought to increase their trade with the Far East is undoubtedly true, but we must not deceive ourselves into the belief that there will be any great or rapid increase in that trade.

The whole situation needs to be considered very carefully. The door of opportunity has stood open for many years, and yet Americans have shown very little desire to enter in. There are several reasons for this which need not be discussed now.

Our total trade with the three principal countries of the Far East—Japan, China and Siam—in 1913 amounted to $203,536,098, of which our exports to the Far East amounted to $84,349,731 in value, while our imports from that region totalled $119,186,367. Our total trade with China was less than it was in 1911 and our imports into China were not only less than they were in 1911 and 1912, but less than they were in 1906, 1907 and 1908.

The present war in Europe, of course, affects the situation very materially. The supplies which these three countries have been accustomed to receive from Europe will probably be cut off in good degree for some time to come, and we ought to be able therefore to take the place of Europe in furnishing them.

CHINA.

With regard to China, however, it must be remembered that that country has been in a more or less disturbed condition since 1911. This condition has begun to tell upon her export trade. In order to buy, China must have something to sell. But production has fallen off, and less than usual is being transported to the coast ports for shipment abroad, so that China's purchasing power is lessened. Silver is again quite low. This, in ordinary times, would encourage her export trade, but recent reports indicate that the goods are not at hand in usual quantities for shipment. The low price of silver, on the other hand, is a hindrance to the shipment of imports into China, since more silver dollars are needed to make up the gold prices quoted. The chaotic condition of the money markets of the world have further increased the difficulties of the situation. During the last year, 1913, there was a considerable increase in imports into China which were not fully distributed owing to the disturbances in certain provinces and the decline in purchasing power of the population in the interior. This has left a surplus in the ports which it will take some months to work off.

All these things lessen the demand for foreign goods. Nevertheless, even though the market be restricted, there will be some demand for the things which we can supply.

The total import of foreign goods into China in 1913 was worth $416,218,667, of which the United States contributed $25,861,855. The belligerent nations, Great Britain, Russia, Germany, Austria, Belgium and France, contributed $126,011,506. I omit Japan's contribution because there seems to be no reason to anticipate that Japan will not be able to conduct her trade very much as usual, making due allowance for the effect of the monetary disturbance, which must equally affect all participants in the trade. I also omit statistics of the British colonies. In 1912 the total imports into China were $350,000,000, of which the European nations now at war supplied $97,071,394.

GREAT TEXTILE MARKET.

Of the ninety-seven millions over eleven millions are accounted for by white shirtings, supplied chiefly by Great Britain. The United States that year sent no more than $5,000 worth of such goods to China. Other items purchased of the belligerent nations were $130,331 worth of drills, $340,129 in sheetings, and $2,537,016 in jeans, of which most was supplied by Great Britain. The United States already holds the lead in sheetings, supplying 1,670,000 pieces in 1913 out of a total of 1,915,000, and of drills we supplied 521,403 pieces out of a total of 764,000. In 1912, however, we were far outstripped by Japan, which sent 827,033 pieces as against our 454,320. Of jeans we delivered nothing into China in 1912, and Japan furnished but 29,842 pieces, while Great Britain sent 1,061,618 out of the total of 1,170,866. In T cloths also Great Britain takes the lead, having in 1912 supplied 752,783 pieces of the total of 1,180,500. We furnished none of this total, while Japan sent 154,512 pieces.

There seems to be, therefore, a fair chance for the increase of our trade in certain lines of cotton goods after the present stocks in Shanghai are sold, but we must not forget that in other varieties we shall have to meet Japanese competition as usual. It must be mentioned, too, that the Chinese are very conservative and do not readily forsake an old brand for a new.

We must not imagine that the Chinese will be readily induced to buy a substitute for that to which they are accustomed.

We sold 25,298,080 pounds of cotton to China in 1912 and imported 6,387,842 pounds from China, the latter of cheaper grade than American cotton, being found useful in certain manufactures.

Our export of cotton to China fell off in 1913, but with the Panama Canal now open and the mills of Europe making small demands, it may seem worth while to increase our shipments to China if the low price of silver does not make the price prohibitive to Chinese mills. In cotton yarn we can hardly hope to compete with Japan and India, whence most of the 358 million pounds came to China in 1913. Heretofore we have sold but little cotton thread to China, but her purchases amount to over half a million gross of spools per annum, valued at $750,000. The bulk of this appears to come from Great Britain and Belgium.

MISCELLANEOUS IMPORTS.

China imported 474,120 tons of sugar in 1913, worth $26,922,000, but the United States can scarcely hope to compete with Hongkong, the Dutch Indies and Japan in this trade.

There will doubtless be a demand for rice, since France has placed an embargo on exports of this article from Indo-China. Siam and British India supply small amounts and a considerable quantity comes from Japan.

Although China produces rice in large quantities, it is insufficient for her needs. In 1913 the imports amounted to 360,993 tons, worth $13,631,528. The United States itself imports rice and, although we also sell to Europe, it is unlikely that China can pay a price that will justify shipment there. We have sold large quantities of wheat flour

to China, but the flour trade fluctuates greatly. This year the destruction of crops in south China by floods will doubtless increase the demand. In 1912 the import was 427,000,000 pounds, for which we supplied 113,523,733 pounds valued at $2,431,327.

There is a growing market in China for iron and steel manufactures of all sorts. The United States already enjoys a good share of the trade, but with European supplies cut off there ought to be considerable increase in our sales. We sent nearly 3 million pounds of bar iron to China in 1913 and over 4 millions in 1912, but this was only one-twelfth of the total import. In 1912 we sold nearly 13 million pounds of nails and rivets, but this was less than half of the import. There is opportunity for an increase in the sale of all sorts of iron goods and hardware. The same is true of glass and glassware.

China imported in 1912 205,647 boxes of window glass, valued at $477,118, and the same year $485,880 worth of glassware. Most of the glass came from Belgium, and most of the glassware from Belgium, Great Britain, Germany, Russia and Japan. We furnished none of the glass and only $12,995 worth of the glassware.

In 1912 China imported $1,713,818 worth of soap, chiefly from Great Britain, Austria, Russia and Japan. The United States sold but $12,143 worth.

There is a growing market in China for many kinds of machinery, particularly iron-working, ship-building and flour-milling machinery. This item amounted to $1,173,000 in the imports of 1913. A good share of this trade comes to the United States. Paper was imported the same year to the amount of 26,197,000 pounds. Of stoves and grates $160,000 worth were imported, 1,120,000 dozen pairs of socks were shipped in 1912, $562,000 worth of umbrellas and $148,000 worth of underwear. Thus far we have done but little in any of these lines. 3,368,800 pounds of candles were sold to China in 1912, valued at $232,700. Of this amount we sold but $77 worth. In rubber goods out of $158,762 worth we sold but $6,000 worth. In 1912 China imported nearly five million dollars' worth of leather goods, of which the United States supplied no more than $107,000 worth. We supply about one-third of the condensed milk, one-tenth of the lamps and lamp ware, one-fiftieth of the clocks and watches, one one-hundredth of the cordage and about one-tenth of the cutlery and electroplated ware. In all these and some other lines of goods heretofore largely supplied by Europe, the United States ought now to find opportunity for increased sales.

CAUTION EMPHASIZED.

It seems necessary, however, to repeat the caution uttered at the beginning of this article, that we must not anticipate a great or rapid increase in our trade. Recent reports from Shanghai described that market on August 1st as overstocked and stated that six or eight months more would be required to dispose of this surplus. Distribution has been hindered by disturbances in the interior, it is said, and this condition had also reduced production and export. Until the surplus stored in the ports shall have been cleared out there will be no demand for the same sorts of goods and the import trade must be confined to articles for which there is but a limited market at any time. Moreover, until China is able to bring her export trade up to a normal condition, her power to purchase imports will be restricted. Recent reports indicate that this improvement is beginning. The disorders which have interfered with production and transportation are being suppressed, the national government has strengthened its hold upon the country and has recovered control of the revenues. The increased confidence of the people is shown by the subscriptions which, it is said, are being made to the domestic loan now solicited. The low value of silver is an encouragement to the export trade, but unless the goods are produced this encouragement is vain, and on the other hand cheap silver is a very decided hindrance to the purchase by China of foreign imports. With the money market of the whole world disturbed, the banks in China are unwilling to quote exchange. The Chinese customs, however, must fix the rate at which duties are payable, and the latest value of the Haikuan Tael, that of August, is given as $0.685. Contrast this with the value given in the customs reports for 1913, $0.73, and that for 1912, $0.74. China being without any fixed ratio between silver and gold, the uncertainty as to what will be received for one's goods makes the merchant hesitate to quote a silver price and gives no less anxiety to the purchaser who makes a contract in gold prices to take delivery at a future date.

JAPAN.

In Japan the situation is quite different. Japan uses silver money chiefly, but her coinage is on a gold basis, and when prices are quoted in Yen everybody knows just how much is meant in gold. The difficulty of negotiating drafts, notes and telegraphic transfers is felt there, of course, as everywhere else.

Although Japan is one of the belligerents, her participation in the war thus far has been limited to the movement of a small force against the German port of Tsingtau. Her own coasts are not attacked; her shipping is in very slight danger, and there is very little reason to anticipate any interference with her industrial life.

American trade with Japan is of the first importance. The United States is Japan's best customer. Japan's total foreign trade in 1913 amounted to $678,222,145. In 1910 the value was given as Yen 922,662,804, or $461,331,402, of which imports amounted to $232,116,904 and exports $229,214,498. Our share of the trade that year was $99,200,707, or more than 21%. Most of this, however, was made up of our purchases of Japanese products, which reached $71,851,124 in value, leaving for our imports into Japan the sum of $27,348,583. Our own statistics show that for the year ended June 30, 1913, our imports from Japan amounted to $91,633,240 and our exports to Japan to $57,741,815 and the total trade to $149,375,055.

Our trade with Japan has been gradually undergoing a change. Japan is herself rapidly becoming a manufacturer of goods of the Western type, and is competing with Europe and America for the Chinese market in certain staples. Japan's proximity to China and her cheaper labor makes it impossible for us to compete successfully in some lines. The operators in her textile factories, for instance, according to the report of the Department of Finance for 1911, receive wages as follows: Men from 37 to 45 sen a day, i. e., from 19 to 23 cents; women from 21 to 26 sen, or 11 to 13 cents a day; boys 14 to 17 sen, or 7 to 9 cents a day; girls from 8 to 14 sen, or 4 to 7 cents a day. Japan is, therefore, supplying her own and the Chinese market, to some extent, with the products of her own looms.

DECREASING TEXTILE IMPORTS.

In the Consular report for 1913 of the trade at Yokohama we are told that "with the exception of Victoria lawns, all the former staple lines (of cotton goods) show a material decrease. In some lines foreign textiles have been almost entirely replaced by the domestic manufactures, notable examples being grey shirtings, grey prints, cotton prints and to a certain extent white shirtings. The local demand for white shirtings is largely filled by the productions of the Tokyo Calico Mill."

But while we decrease our sales of certain cotton piece goods, the market for the finer qualities still remains, and we also increase our sales of raw cotton, which in some measure provides the material upon which Japanese factories are working. Greater quantities of raw cotton, however, are imported from India and China.

A similar change is likely to take place in the iron trade. Japan is now endeavoring to manufacture at home much iron ware that heretofore was imported. To do this she is importing enormous quantities of iron ore and pig iron from China. Imports of iron nails declined in 1913 from $864,632 in value to $392,701, due to the increased output of local mills.

The effect of the present war in Europe will undoubtedly be to cut off for a time the supply of many commodities which Japan has been accustomed to purchase there. This would seem, therefore, to furnish us with a very good opportunity to increase our exports to Japan and bring about a better balance between our export and import trade with that country.

The latest statistics which I have been able to obtain of European trade with Japan are those for 1911.

Of the total imports into Japan for that year, amounting in value to $256,902,500, the European nations now at war supplied $92,250,000 worth.

The most important articles of this trade were sugar, sole leather, dyes, cotton yarns, wool, cotton piece goods, cotton satins, and velvets, woolen cloths and serges, mousseline de laine, printing paper, iron and steel (bar and rod), rails, steel and iron pipes and tubes, nails, iron sheets, locomotive engines, railway passenger and freight cars and steam boilers and engines. In some of these items we already have a large trade, but that will only make it easier to enlarge it.

SIAM.

Our trade with Siam is small. It is chiefly an agricultural country and has little to sell us. We bought $119,205 worth of rice there in 1913, $51,294 worth of white pepper and $4,670 worth of teak planks.

Our exports to Siam consisted principally of flour, kerosene, cigarettes, motor cars, chemicals and drugs and electrical goods. But Siam depends upon Europe for 12 million dollars' worth of imports every year and the present interruption of intercourse with Europe makes it necessary for her to look elsewhere for these goods. Most of these are such as are manufactured in the United States; cotton goods, machinery, iron and steel manufactures, railway materials, leather goods, silk manufactures, condensed milk, flour, sugar, paper, photographic materials, clothing, soap, glassware, china and leather ware and hemp manufactures.

But to find a market for our goods in the Far East is but one-half the problem. To enable Japan, China and Siam to purchase our goods we must provide some one to buy their exports. Trade in all three countries is now stagnant, because the usual channels for distributing their products are clogged.

Siam's rice export, worth $25,000,000 per annum, will find a market without difficulty in China and Japan, but her hides and pepper, silk goods and teak; China's silk and teas, beans, bristles, egg albumen, feathers, ground nuts, hair, musk, vegetable oils, rhubarb, nankeens, sesamum seed, pongees, hides, skins, straw braid, and vegetable tallow; and Japan's silks, teas, Habutae, lacquered ware, camphor, porcelain, straw plaits and matting heretofore shipped in large quantities to Europe and amounting in value to large sums—where are these goods to find purchasers?

Japan's exports to Europe from Yokohama alone amounted last year in value to $50,000,000. Those of China to Europe were valued at nearly 77 millions.

OUR EASTERN OPPORTUNITY.

Commerce with Europe will not cease entirely, of course, but we shall make more possible the sale of our products in the Far East if we assist in finding outlets for the products of China, Japan and Siam. If we have American ships to conduct this trade we may, for the time being, become the chief channel of communication between Eastern Asia and Europe. There are some exports in China and Japan, too, in which we would do well to increase our trade. With the European market for raw silk closed, the lessened demand coupled with cheap silver will lower prices and should induce American dealers to increase their purchases.

The United States has never bought much pongee. The largest amount in recent years was in 1909, when 108,533 pounds were imported from China. This amount, however, includes purchases by Hawaii. The quality of pongees has been greatly improved within a few years past, and considerable quantities find a market in France and Great Britain, particularly the former. This is a most serviceable fabric. Much that passes for pongee in America is but a poor imitation of it.

The manufacture of silk, linen and cotton laces has assumed considerable proportions in China and Japan, and drawn-work made of Chinese grass-cloth is sold in increasing quantities in China, Korea and Japan. These articles compare favorably with similar goods from Europe and ought to find a larger market in the United States than they do at present.

THE SHIPPING SITUATION.

It needs scarcely to be mentioned that without increased shipping facilities we cannot increase our trade as we ought with the Far East. Communication with Siam is all but suspended at present. There are American vessels engaged in the trade with Japan, and China, it is true, but our tonnage is less than one per cent. of the shipping engaged in the foreign trade of China, and American vessels trading in Japan in 1911 constituted but one seventy-fifth of the total number.

There was a time in 1864 when our tonnage engaged in the China trade was all but equal to that of Great Britain, being 2,600,000 tons as against 2,800,000 for Britain. Since then there has been a steady decline. Now that the Panama Canal is open, it is more than ever desirable to have American ships carrying American cargoes to the Orient, and not only connecting the Pacific ports with Eastern Asia, but affording direct communication between our Atlantic ports and those of Japan and China. This, perhaps, will be difficult to accomplish since such vessels will have to compete with the subsidized lines of other countries and lines employing very cheap labor.

Japan pays to steamships of her North American, South American, Australian and European lines a subsidy of 25 cents a ton, or less, for every vessel of 3,000 tons gross used for every 1,000 nautical miles with a speed of 12 knots; and an increase of ten per cent. for every increase of one knot. Vessels must not be more than 15 years of age, and must have been built in Japan. Vessels over five years of age have the subsidy decreased by five per cent. per annum until in the fifteenth year it disappears entirely. Foreign built vessels under five years of age receive one-half the subsidy.

Ship-building in Japan is encouraged by subsidies paid the builders, varying according to the class and grade of vessel from $5.50 to $11 a ton.

Improvement of our trade relations with the Far East implies furthermore an improvement in banking facilities. There is but one American banking corporation in that part of the world.

In conclusion it should be said that success in trade with the Far East, as everywhere else, depends upon efficient organization and upon painstaking care in the selection and training of agents (who should be Americans), as well as upon attention to details in catering to the tastes of consumers. We must not try so much to sell Orientals what we have on hand as to manufacture what they want.

COMPETITION OF JAPANESE COTTON GOODS IN CHINA

The following extracts are taken from a report submitted to the Secretary of Commerce by Commercial Agent W. A. Graham Clark on the cotton goods industry and trade of Japan, in which he analyzes the factors that have made the Japanese successful competitors of American manufacturers, particularly in China:

IMPORTATION AND CONSUMPTION OF RAW COTTON.

GENERAL CONDITIONS.

Raw cotton is by far the most important article in the import trade of Japan. For the 10 years 1901 to 1910, inclusive, the total imports into Japan amounted to $1,948,436,825, and of this raw cotton accounted for $473,142,906, or 24.28 per cent. Of total imports in 1911, amounting to $255,875,241, raw cotton accounted for $73,097,741, or 28.57 per cent.; while of the $308,258,154 imports in 1912 raw cotton accounted for $100,010,453, or 32.44 per cent. The import trade of Japan is rapidly increasing, but the raw cotton imports have been increasing still faster, and they tend to form a still larger proportion of the total.

In number of cotton-spinning spindles Japan ranks ninth among the nations of the world, being surpassed by the United Kingdom, the United States, Germany, Russia, France, India, Austria-Hungary and Italy. In the total consumption of cotton, however, Japan ranks sixth, being surpassed only by the United States, the United Kingdom, Germany, India and Russia, in the order named. In the amount of cotton consumed per spindle per year Japan ranks first, with India a poor second. In Japan the spindles are nearly all ring spindles working on coarse counts, and they are operated day and night; hence more cotton is required per spindle than in other countries. Japan is the only country that makes a regular practice of running its cotton mills day and night.

AVERAGE CONSUMPTION PER SPINDLE.

The Japan Cotton Spinners' Association reports showed 2,099,764 spindles at the end of 1910, and 2,170,796 at the end of 1911; they also showed the actual consumption of raw cotton by the mills during 1911 to have been 64,704,579 kwan, which is equivalent to 534,912,755 pounds. The daily average number of spindles in operation in 1911, as ascertained by the Japanese Government, was 1,901,290. Dividing the total cotton consumed by the average spindles in operation, which is preferable to using the total spindles listed at the end of the year, gives the actual consumption per working spindle in Japan in 1911 as 281 pounds. The amount varies, but it averages over half a bale of cotton per year per spindle, while the consumption in British India, which comes next, averages only about a quarter of a bale per spindle annually; the difference between the two is due mainly to the number of hours worked. The minimum amount of cotton required per spindle is reached in England, with some 45 pounds per year, and in Switzerland, with some 38 pounds. These countries not only work shorter hours on much finer yarns, but most of their yarns are spun on the slower-producing mule spindle. Japan has less than a third the number of spindles there are in France, yet it consumes a larger amount of raw cotton.

The great bulk of the cotton imported into Japan is ginned, but a small amount is imported in the seed from French Indo-China, the Dutch East Indies, Siam, and China. The seed from foreign, Korean, and Japanese cotton ginned in Japan is used in local oil mills. Osaka is the principal center of this industry, and the oil mills, though small, are increasing. Besides the seed from cotton ginned in Chosen, they are importing larger amounts of cotton seed from China.

AMERICAN COTTON.

The use of American cotton in Japan was begun with a sample bale in 1886. Imports increased steadily until they amounted in 1900 to the equivalent of 296,756 bales of 500 pounds each, according to the Japanese import statistics. In that year the consumption of American cotton in Japanese mills reached its record proportion of 41.17 per cent. of all cotton worked, this percentage being only slightly exceeded by that of the Indian. These imports were mostly of cotton bought in 1899, and with the great rise in price in the United States in 1900 the imports of American cotton fell off sharply. Since then the purchases have fluctuated with the price. Japanese mills prefer to use American cotton to make yarns of better grade and also to make the higher count yarns, but in many years American cotton is so high in price that, with the intermediate charges added, the spinners have to restrict their purchases. The fluctuations in the imports of American cotton, therefore, are not due to variations in the Japanese consumption, but to the rise or fall in the price. The Japanese took advantage of the low prices in the first part of 1905 to increase their imports of American, but with the rise in prices imports again fell off and remained small until the low prices for the record crop of 1911-12 enabled them again to take larger amounts. During 1912 their purchases of American cotton greatly exceeded those of any previous year, and their consumption of American cotton amounted to slightly over one-third of the total.

For the fiscal year ended June 30, 1912, the American figures show exports to Japan of 240,467,144 pounds, valued at $25,182,092, which gives an average value per pound of 10.47 cents. For the calendar year ended December 31, 1912, the Japanese import statistics show the arrivals of American cotton to have been 187,223,700 kin (247,653,894 pounds), valued at 64,601,154 yen ($32,171,375), which gives an average value at the port in Japan of 34.50 yen per 100 kin, or 13 cents per pound.

SHIPPING ROUTES FROM THE UNITED STATES.

The bulk of the American cotton used in Japan is from Texas and Oklahoma and most of it is routed via San Francisco. There are three usual routes, via San Francisco, Puget Sound, and the Suez Canal.

The San Francisco is the main route and the bulk of the cotton from Texas, with some from Louisiana and Mississippi, is carried over the Sante Fe or the Southern

Pacific Railroad to San Francisco and thence to Japan by the Pacific Mail Steamship Co. or the Toyo Kisen Kaisha. This route is most favored by the importers as being the quickest and requiring the least handling, but the ships on this route are for passengers rather than cargo, and this may cause cotton to lie over for some time at the port awaiting cargo space. During the heavy exportation in 1912, for instance, the Pacific Mail had to charter steamers specially to deal with its surplus cotton consignments. In the early part of the season cotton has been known to come through from Texas to Kobe in 30 days, but as a rule it takes much longer, from two to as many as five months in some cases. One of the chief importing firms, Mitsui Bussan Kaisha, states that it usually has to allow about 80 days for cotton from Houston to Kobe. The present (December, 1913) through rate from Texas common points to Kobe is 1.35 cents per pound, of which the railroads take 0.95 cent and the steamships 0.40 cent.

Cotton from northeastern Texas and from Oklahoma, as well as some from Little Rock and Memphis, is carried by various lines to St. Paul and thence to Seattle, Tacoma or Port Townsend by the Great Northern Railroad or the Northern Pacific Railroad. From Puget Sound ports it goes to Japan by the Osaka Shosen Kaisha, the Nippon Yusen Kaisha, or the Great Northern Steamship Co. The last named has but one boat, the *Minnesota,* which, however, is one of the largest on the Pacific. The Great Northern and the Nippon Yusen start from Seattle, while the Osaka Shosen starts from Tacoma.

The cotton shipped to Japan from New York, or direct from southern ports, such as Charleston, Savannah, Pensacola, and New Orleans, goes across the Atlantic, through the Suez Canal, around southern Asia, and up to Japan. This, of course, is much the longest route and takes from three to six months; it is therefore little used, though it is recorded that during the heavy shipments of 1912, when the Pacific ports were congested, some cotton by this route actually arrived as quickly and cheaply as some of that shipped overland.

In addition, there have been shipments in some seasons north to St. Paul, thence via the Canadian Pacific Railway to Vancouver and thence by the Canadian Pacific Steamship Co. to Japan. The Canadian Pacific, however, has only one steamer adapted to carrying cotton, and none is now being shipped this way. The ocean rate from Vancouver, as that from Puget Sound ports, is the same as the rate from San Francisco.

COMPLAINTS AS TO DELAY AND UNDERWEIGHT.

With few exceptions American cotton, by whatever route shipped, takes a long time to arrive, usually 60 to 150 days. The importers complain of delay, which is due mainly to the long period the cotton remains at Pacific ports before it is taken aboard, but they complain still more as to the uncertainty as to date of arrival. When an importer contracts to deliver to a mill a certain amount of American cotton monthly, and he cannot tell within three months when his shipments may arrive, it can be readily seen that the business cannot be very satisfactory, not to mention the question of interest on the money involved.

The greatest complaint as to American cotton, however, is that it rarely comes up to weight, and importers are compelled to make claims on almost every shipment. It is a source of wonder to foreign and native cotton dealers in Japan that the American shippers can afford to pay these claims and continue to do business. Some Japanese importers seem to think that American shippers figure on the cotton gaining heavily in moisture during the long sea trip and so not only add to their invoices the 1 per cent. franchise allowance, but also add 1 or 2 per cent. more. Others say that some loss is possibly occasioned by wastage and theft en route, owing to the poor packing, with gaping sample holes in the sides and end covers torn off. This, however, cannot account for such heavy and uniform losses in weight, and the larger importers say that it must be due to evaporation en route. Some cotton before being weighed for shipment has stood in warehouses with concrete floors and has taken on a temporary weight that soon disappears. Even when cotton is shipped without this added weight the trip is such a long one that, as most of the cotton arrives in Japan during the winter when the climate is usually dry, there is necessarily a loss of weight by evaporation. In the early part of the season, before heavy shipments have begun, cotton has been known to arrive in Kobe from Texas in 30 days, and in such cases it is noted that the weights are all right. As a rule, however, the longer the delay en route the heavier the loss in weight. The official sworn cotton weigher at Kobe states that American cotton, year in and year out, averages 1,000 pounds loss per 100 bales; losses of 1,000 to 1,500 pounds are very common, while last season a loss of 2,686 pounds on a 100-bale shipment was recorded. This great discrepancy between the invoiced weights and the weights at port of arrival, ranging from an average of 2 per cent. to over 5 per cent. in exceptional cases, is hard to explain even on the theory of loss by evaporation, and it is a matter that American shippers should investigate thoroughly.

PRODUCTION AND EXPORTATION OF CLOTH.

At the end of 1911 the Japan Cotton Spinners' Association reported 20,431 power looms in the cotton mills. During the last six months of 1911 there was an average of 18,284 looms in operation producing an average of 50.34 yards per day, the day averaging for all the weaving mills (one or two of which ran at night) 14.28 hours. The yarn consumption by these looms amounted to 82,482,236 pounds. During 1911 they reported an output equivalent to 1,129,267 bales of 400 pounds each of yarn, an import of 1,843 bales of yarn, and an export of 285,009 bales. No cotton yarn is spun in Japan outside the cotton mills (except a trifle in a cottage here and there), hence the total yarn available for use in Japan in 1911 amounted to 846,101 bales, or, say, 338,440,400 pounds, of which the power looms absorbed only 82,432,236 pounds, or about a fourth. Part of the remainder was used in the knit-goods trade and in other ways, but the great bulk was used for weaving on the hand looms, which shows that the hand-loom must still be larger than the power-loom industry. From the fact that silk goods are necessarily more valuable than cotton and that cotton goods amount to about half of the total value of all goods woven in Japan, there must be over half the hand looms on cotton, or at least 350,000 out of the total in 1911 of 638,412. The power looms, of which at the end of 1911 there were only 20,431, work with a small amount of stoppage, while most of the hand looms are tended by housewives who have other duties.

The production from the power looms is some 50 yards of cloth a day, while the hand looms probably do not average over 4 yards (a full day's production on the hand

loom runs from 4 to 15 yards, according to the material, weave, etc.). The hand looms work on narrow cloth, mostly about 1 shaku (14.913 inches) wide, while the power looms are mainly on cloth about 36 inches wide. There are, however, so many more hand looms than power looms that the total production from the former considerably exceeds that from the power looms, and the hand-loom product not only dominates the home market but a fair amount is exported.

One reason that the hand loom survives is the fact that the money made by most of the hand-loom weavers is an addition to the regular family income, and so the home weavers are content to work for very little, not much over a fourth of the small wages received by the power-loom weaver; but if a farmer's wife makes only 10 to 12 sen a day (say, 5 to 6 cents), it is a welcome addition to the family earnings. It takes a weaver to every hand loom, but even in the factories a weaver rarely runs over two power looms. There is some tendency for the number of hand looms to decrease (there were only 638,412 in 1911 on all kinds of textiles as against 754,449 in 1907), but until the power-loom weaver becomes efficient enough to operate more looms, and until more looms are installed in the factories, there will continue to be a large hand-loom industry.

PROPORTION OF LOOMS TO SPINDLES.

In Japan power spinning has been developed more rapidly than power weaving, and there are to-day not one-fifth as many looms as are needed to balance the spinning. On June 30, 1913, the Japan Cotton Spinners' Association showed a total of 23,783 power looms, of which an average of 22,975 were working during the first half of 1913. In this half year they produced 204,655,996 yards of cloth and used 54,338,034 pounds of cotton yarn. Of 2,287,264 spindles on June 30, 1913, an average of 2,118,402 were in operation during the first half of 1913, and these produced 36,535,081 kwan (302,035,516 pounds) of yarn. The power looms therefore used only about 18 per cent. of the output of the spinning frames.

These figures are for a half year and they show that the output per spindle may now be taken as some 285 pounds a year, the spindles working night and day, while the looms, even if none ran at night, would require some 4,500 pounds of yarn each per year. Even allowing yarn enough for the knitting and other such industries, it would require to-day about a loom to every 20 spindles to balance the production.

The total number of spindles and looms in the cotton mills of Japan and the number of spindles per loom on December 31 of each year have been as follows, according to the association figures:

Years.	Spindles.	Looms.	Spindles per Loom
1888	116,276	200	581
1889	215,190	200	1,076
1890	277,895	400	695
1891	353,980	420	843
1892	385,314	420	917
1893	381,781	420	909
1894	530,174	420	1,262
1895	580,945	583	996
1896	757,196	1,789	423
1897	793,022	2,105	377
1898	926,991	2,511	369
1899	1,086,721	2,869	379
1900	1,267,872	3,010	409
1901	1,295,598	3,289	394
1902	1,352,948	4,887	277
1903	1,381,306	5,083	206
1904	1,345,585	5,085	265
1905	1,426,594	8,140	175
1906	1,472,353	9,601	153
1907	1,540,452	9,462	163
1908	1,695,879	11,146	152
1909	1,954,892	13,813	142
1910	2,099,764	17,702	113
1911	2,170,796	20,431	106
1912	2,176,748	21,896	99
1913	2,287,264	23,783	96

Though there are needed only 20 spindles to a loom to balance the production, at times there have been over 1,000 spindles to the loom. Since the Russian War, with the new outlet for cloth in Manchuria, weaving has increased more rapidly, and in 1913 there were only 96 spindles to the loom. It seems certain that in the future there will be a large proportionate development of the weaving side of the industry, and while this may cut down the yarn exports it will probably result in the exports of cloth surpassing those of yarn, and this change is bound to make itself felt, on the markets of the East at least, to a much greater extent than it is to-day.

RAPID INCREASE IN NUMBER OF LOOMS.

In 1900, following the Boxer troubles in China, there was a business depression in Japan that lasted for two or three years. The exports of yarn dropped from 341,162 bales in 1899 to 208,333 bales in 1900, 209,167 bales in 1901, and 197,481 bales in 1902. The exports of piece goods were not so much affected, and their sales abroad increased from 4,504,111 yen in 1899 to 6,334,514 yen in 1900, and, with only a slight drop to 6,254,713 yen in 1901, increased to 6,938,539 yen in 1902. Many of the coarse-yarn mills found it difficult to make both ends meet on a dull home market and a declining foreign trade, and when they saw that weaving mills could sell cloth where they could not sell yarn and were making better profits, they began to consider the installation of looms. In 1901 there were 279 new looms added and 1,508 in 1902, bringing the total up to 4,887 by the end of 1902. This resulted in an increase in the cloth exports from 6,938,539 yen in 1902 to 8,270,550 yen in 1903. Most of the new looms were started on gray sheeting and T cloth and mills also began to imitate the American three-harness drill. From 1897 to 1901, inclusive, the cloth most largely exported from Japan was the narrow goods which were listed in the statistics as white cloth, but which were very similar to the Chinese nankeen; the first exports were hand-loom cloth and these were imitated by the power looms. In 1902, however, gray sheeting became the main article of export and has remained so. At that time the mills thought to establish a big trade in T cloths and the exports increased from 5,752,266 yards in 1900 to 9,978,597 yards in 1901, 12,857,756 yards in 1902, and 13,151,1558 yards in 1903. This, however, was the high-water mark of the T cloth exports. The Japanese could not make them so well as the English and when the Chinese found that the Japanese T cloths were not so good the demand declined, and even with a slight resumption of this trade in 1912 the exports then amounted to only 7,584,517 yards. In drills the Japanese have had more success. Starting with only 256,934 yards in 1902, the exports increased steadily to 31,755,794 yards in 1911, and drills are now, next to gray sheeting, the chief piece-goods export. Exports of twilled shirtings also started in 1902, with 200,000 yards, and they increased by 1911 to 8,534,035 yards.

EFFORTS TO CAPTURE MARKET IN MANCHURIA.

The increased exports in 1905 were due partly to the needs of the Japanese armies in Manchuria and Korea. With Manchuria opened up to their trade the mills the next year decided to make every effort to capture that market. Of the nine weave sheds operating during the first half of 1906, the Osaka, Miye, Kanakin, Okayama, and Nippon wove cloth chiefly for export. To concentrate their efforts and to avoid competition as much as practicable,

they formed a temporary union called the Cotton Cloth Export Association. They agreed that they would together ship 1,000 bales of cloth a month to Manchuria, and in order to win the market would sell it cheaper than the American sheeting and drill, whether or not they made a profit on the first year's business. Each of the five mills was to stamp its cloth with the Cotton Cloth Export Association mark in addition to its regular chop, and they were to endeavor to make the cloth as uniform as possible, as to both material and weaving. Mitsui Bussan Kaisha agreed to exploit the cloth in Manchuria without charge for a period of one year. It already had agencies in Manchuria and established others so that by the end of the year it had agents at Dalny, Newchwang, Mukden, Tiehling, and Kwangchengtze, and subagents at other points. The mills delivered the cloth to the Mitsui Bussan Kaisha in Japan, which forwarded it to agencies in Manchuria. The freight rate on cloth in 1906 from Kobe to Dalny was only 3 yen ($1.494) per ton. The agencies of this firm, in addition to offering cloth at a lower price than the American, gave the larger Chinese merchants 2 per cent. commission on sales and 30 days' time in which to pay.

COMPETITION WITH AMERICAN GOODS IN MANCHURIA.

Up to this time American sheeting and drill, made of American cotton, well woven and pure sized, had enjoyed a large trade in Manchuria and there had been little competition, for even the English found that they could not touch the Americans in price without sizing to an extent that would render the goods unsalable in Manchuria. The weak point of the American trade, however, was that it depended entirely on the quality of the cloth to sell itself, for there was no foreign merchant handling it nearer than Shanghai. The American goods were sold to Chinese wholesalers at Shanghai and they sold to agents of Chinese firms from Newchwang and interior points. The interior wholesalers of Manchuria had to buy from a middleman at Newchwang at a higher price or else keep an agent at Shanghai, and they usually had to pay cash in advance for the goods. The freight rate from Shanghai to Newchwang in 1906 varied between 4 and 6 taels per ton, averaging about $3.79 United States currency.

Merchants who handled American goods were out money in advance and had to pay higher freight, while the Japanese cloth was delivered at their door and the larger dealers were given a commission and time in which to pay. The Japanese cloth was inferior in quality, but much cheaper, and the greater convenience offered merchants as well as the larger profit to be made under the Mitsui arrangements were too much for their conservatism, and many dropped the American cloth for the Japanese. The samples of Japanese cloth that had been shown in the spring of 1906 were almost equal to the American, but the cloth delivered was found inferior, being made of a mixture of Indian, Chinese, and American cotton; moreover, it was poorly woven and had many imperfections. This caused great dissatisfaction among the dealers, but the price was so much lower than for the American that they could not refuse to handle the Japanese goods.

When the Japanese first began to push their sheeting, about May, 1906, the American sheeting was selling at about 4.50 taels per piece, or 8.45 cents gold per yard. The Japanese started their sheeting at 3.60 taels per piece, or 6.75 cents gold per yard. On account of the oversupply prices dropped during the year, but the Japanese had created such a demand for their goods that they were better able to maintain their price, and by the end of the year American sheeting was selling at about 3.70 taels per piece, or 7 cents gold per yard, while the Japanese had dropped to only 3.40 taels per piece, or 6.45 cents gold per yard. The difference had therefore narrowed from 1.7 cents per yard in May to only 0.55 cent at the close of the year.

MANCHURIAN MARKET OVERSTOCKED.

The effect of the Japanese policy was reflected immediately in their exports of piece goods. During the first half of 1906 the total exports were only 6,922,481 yen, but during the second half of the year they were 11,802,395 yen. The total cotton-goods exports for 1906 reached 18,724,876 yen, of which China alone took 10,351,434 yen. During the year exports to China amounted to 19,703,804 yards (24,630 bales) of gray sheeting and 2,142,630 yards (10,713 bales) of drills; most of these two articles went to Manchuria. In addition there were exported 8,107,444 yards of T cloth, 2,144,540 yards of twilled shirting, and a considerable amount of other goods.

Japanese competition and the great surplus of goods in the country caused a corresponding decline in the American sales. The Chinese customs show that the imports at Newchwang of American gray sheeting and shirting amounted to 1,071,559 pieces in 1903, 1,226,005 pieces in 1904, 2,331,381 pieces (116,569 bales) in 1905, and only 366,583 pieces (18,329 bales) in 1906.

A two years' supply of foreign cotton goods had been pushed into Manchuria in 1905 in the expectation that at the close of the war there would be a period of great prosperity. The Russians had left much money in the country, but the people had to cover their unroofed houses, replace their stock, plant new crops and meet more urgent needs than for clothes. The cloth imported in 1905 was therefore largely carried over into 1906 in the merchants' warehouses, and when the Japanese by special inducements succeeded in pushing in a large additional amount during 1906 the stock was more than could be handled. Demand fell off sharply in 1907, and while this affected the market for all cottons, it was felt by the American trade more than by the Japanese. There was a slight recovery in the American drill trade, which at Newchwang was recorded as 569,625 pieces in 1903, 442,291 pieces in 1904, 974,557 pieces in 1905, 65,958 pieces in 1906, and 130,540 pieces in 1907, but American sheeting declined to only 262,050 pieces. While there would have been a decline at this time anyway because of the large stocks, the narrowing of the outlet for American goods was due mainly to the competition of the cheaper products from Japan.

Japan likewise suffered from the overstocking of the market. Since the leasing of the Kwantung Province the customs at Dalny have been administered by the Japanese, and their figures record the imports for Kwantung separate from those for the rest of China. Taking Kwantung and China together, however, Japan shipped them 10,351,034 yen of cotton goods in 1906, but only 8,656,978 yen in 1907. In 1906 the number of looms in Japanese cotton mills had risen to 9,601, but with the adverse markets abroad there was no increase in 1907; in fact, the statistics show a decline to 9,462 looms.

To offset the decline in the Manchurian demand the Japanese used similar sales methods in Korea and succeeded in pushing a large amount of cloth into that country, amounting to 6,508,703 yen in 1907, as against 4,575,954 yen in 1906. They also shipped to Asiatic Russia cotton goods amounting to 1,098,642 yen, as against 224,415 yen the preceding year. The increased sales to these points more than compensated for the drop in the Manchurian sales, and the total exports of cotton goods for 1907 were valued at 18,851,313 yen, or slightly more than in 1906.

CONDITIONS IN 1908 AND 1909.

From the middle of 1904 to the middle of 1907 the weaving mills, like the spinning mills, made large profits, owing, at first, to the great demand for goods for the armies, and, later, to the great increase in exports to Manchuria, but by the beginning of 1908 all Japan began to suffer from a reaction, and then came a sudden de-

preciation of silver in the Chinese market. This curtailed the export trade immediately. In 1906, for example, a Chinese merchant had to pay at Shanghai an average of 69.33 taels for 100 yen worth of Japanese goods and 69.17 taels in 1907, but during 1908 he had to pay an average of 84.24 taels, and his purchasing power was therefore much lower.

During 1908 China and Kwantung, Korea and Hongkong all decreased their takings of Japanese cotton goods, so that the year's business came to only 16,169,065 yen. Despite this the number of looms increased from 9,462 to 11,146. The decline in exports of yarn had been greater than in exports of cloth, and as a dull home market affected the spinning more than the weaving mills, many manufacturers decided to add looms. In February, 1908, conditions were such that the spinning mills had to start short time, and they continued this, with varying proportions of machinery stopped, until October 1, 1912. During this period the spinning mills made various efforts to stimulate their export trade, starting a lottery in 1908 and a premium system in 1909, but the weave mills did not share in either of these. Weave mills making coarse-yarn cloth for export, however, were exempted, both looms and their supplying spindles, from the compulsory short time enforced on all spinning mills by the Japan Cotton Spinners' Association, and this was one feature that induced many to add looms for the export trade. Even if the cloth was sold at a slight loss, this was preferable to the greater loss from having machinery standing idle with the fixed charges running on.

In 1909 trade in China began to pick up again, and favored by this the mills, in spite of the continuing adverse exchange, were able to increase their cloth exports to 19,178,502 yen; in 1910, with somewhat lower exchange, they amounted to 22,516,615 yen. During 1910, however, the main factor was the internal disturbances in China, which greatly interfered with the home weaving; moreover, the Chinese cotton crop was short and much more cloth was required from abroad. The Japanese looms increased to 13,813 during 1909 and to 17,702 during 1910.

In 1910 the chief exports were gray sheetings, drills, nankeens, towels, crepe, flannel, twills and stripes. In 1905 the principal exports had been gray sheetings, nankeens, and T cloths. The manufacture of T cloths declined because the mills were unable to equal the quality of the English goods and because sheetings and drills were found to pay better. By 1908 drills had become second only to sheetings in the export trade, displacing nankeens, and by 1910 they were gaining on sheetings.

BOUNTY ON CLOTH EXPORTS.

The Japan Cotton Spinners' Association had continued to pay a bounty to mills exporting coarse yarns. As all mills contributed toward meeting the expenses while only those exporting coarse yarns benefited directly by the system, the others demanded participation in the bounties. This was finally agreed to, and from October 1, 1910, the bounty system was extended to include all exports of yarn and also cotton cloth made of No. 20 yarns and under. This cloth bounty amounted to 1.25 yen (64¼ cents) per 300 kin (400 pounds). It was continued from October 1, 1910, to March 31, 1912, and greatly stimulated the exports.

Japanese official statistics show exports of cotton piece goods (including towels, handkerchiefs and cotton blankets) valued at 22,516,615 yen in 1910, 21,485,263 yen in 1911, and 28,146,710 yen in 1912. The apparent decline in 1911 is due to the fact that since 1910, when Korea was annexed to Japan under the name of Chosen, exports to that country have not been included in the foreign trade. In 1906 the Japanese succeeded in pushing 6,508,703 yen worth of cloth into Korea, but thereafter, owing partly to an oversupply at first and later to the Japanese cloth not being satisfactory in quality, Korea's purchases steadily declined until they amounted to only 2,563,001 yen in 1910. When the country came under the control of the Japanese, who thereafter enjoyed special advantages, the purchases by Korea suddenly increased, amounting to 9,114,940 yen in 1911 and to 11,412,255 yen in 1912. If these amounts be included as exports (as they were before 1911), the exports of cloth from Japan were 22,516,615 yen in 1910, 30,600,203 yen in 1911, and 39,558,965 yen in 1912.

During 1911 the Japanese looms increased in number to 20,431 and during 1912 to 21,896, while on June 30, 1913, they were given as 23,783. More are now being installed and others have been ordered. In 1911 the imports by China and Kwantung as well as Chosen (Korea) increased, and the purchases by China proper would have been much larger but for the effects of the poor crops in the Yangtze Valley. The demand from all parts of China increased in 1912, and this, combined with a good demand in practically all their other markets, enabled Japanese cloth exports to reach the new official record, not including Chosen, of 28,146,710 yen, or $14,017,062.

With the greatly increased demand for sheeting from China, due to the interruption to the home supply from the hand looms and to the better market after the first revolution, the Japanese export trade in sheetings advanced greatly. Trade in drills and twilled shirtings was stationary, so that the gap between the two, which lessened in the few years before 1911, again widened. Twilled tissues are still, however, the main export after gray sheeting, and will probably increase greatly in the future, especially as inferior weaving is not so noticeable in twilled fabrics as in plain-woven goods, and despite great improvement in recent years Japanese goods remain inferior to those of their competitors. After sheeting and twilled tissues, the chief exports in 1912 were nankeens, towels, crepe, flannel and T cloth.

CHANGES IN DIRECTION OF EXPORT TRADE.

As regards markets, the cloth exports may be divided into three periods: First, until 1895 Hongkong was the main market; second, from 1895 to 1901, inclusive, Korea; and, third, during and since 1902, China (including Kwantung). During the first period the exports were almost entirely hand-woven goods, of which cotton crepe and cotton flannel were the principal items. With the close of the war with China the Japanese began exporting to China narrow plain-woven goods, the so-called "white cloth" which was largely woven in Japan by farmers' families during the winter time and which replaced in Korea similar nankeen imported from China. This nankeen was the chief export during the second period, though an increasing proportion was made on power looms. During the third period the principal export has been 36-inch gray sheeting, made in imitation of the American on power looms, for which the main market has been found in China.

In 1901 Korea took 3,173,914 yen worth and China only 1,337,762 yen, but in 1902 China took slightly more than Korea, and since then the proportionate takings by China have increased more rapidly. Kwantung Province, though leased to Japan and shown separately since 1906, is part of China. The trade with China, including Kwantung, reached 10,351,034 yen in 1906, but declined the next two years on account of the oversupply and the reaction in Manchuria after the Russian War; afterwards it increased again until it reached 22,768,509 yen in 1912. The trade with Manchuria through Dalny, with a slight setback in 1908, has increased steadily. The trade with Korea decreased steadily from 1907 until 1910, but in 1911 and 1912 it showed a great increase, due to the changed conditions after annexation, though in the last two years this trade has been classed as domestic and is not included in the total exports.

The trade with Hongkong reached a maximum of 1,720,650 yen in 1906, but has since fluctuated considerably.

The trade with India was small until 1912, when it expanded considerably, owing partly to the favorable freight rates during the price-cutting competition between the Nippon Yusen Kaisha's new line to Calcutta and the British India Steam Navigation Co. The trade with the Philippines reached its maximum with 939,898 yen in 1909, since which there has been a decline. The cloth trade with the United States is small, the maximum being 234,463 yen in 1912, the bulk of this being Japanese crepe. The trade with Hawaii is small, but reached a maximum of 196,209 yen in 1912. With Australia the trade reached 530,239 yen in 1912, owing to a larger demand for cotton crepe and towels. The trade with Asiatic Russia amounted to 309,438 yen in 1900, declined to 1,532 yen during the war year of 1904, rose to 1,098,642 yen in 1906 just after the war, and then declined to 165,203 yen in 1912.

CHINA NOW MOST IMPORTANT OUTLET.

The trade with Chosen is now domestic, so that for cotton cloth, as for cotton yarn, Japan has practically only one market and that is China (considering Kwantung as part of China). Of the exports of cotton piece goods in 1912 amounting to 28,146,710 yen ($14,017,062), China (including Kwantung) alone took $11,338,717, or 80.89 per cent.

China is, therefore, the only market of much importance where the Japanese can find an outlet for their exports of cotton yarn and piece goods, and they are bending every energy to capture that trade. They are in close touch with conditions there and are able to take advantage of any change in the demand. Their freight rates are, of course, much lower than those of their competitors. Japanese labor is cheap but inefficient, and the fact that their goods sell cheaper than those from the United States and other countries seems to be due fully as much to the fact that they use inferior materials, mixing in Indian and Chinese cotton with only enough American to improve the appearance, as it is to their cheaper labor. Of course their long hours also help them greatly by distributing the fixed charges over a greater output. The English ship chiefly the finer goods, and the principal nations that suffer in China from Japanese competition are British India in yarn and the United States in cloth.

Since 1906 the Japanese have listed their exports to China according to sections of the country. In addition to Kwantung Province, of which Dalny is the port, they show the exports to Manchuria through the port of Newchwang; Northern China, of which the main ports are Tientsin, Tsingtau, Chefoo, and Chinwangtao; Central China, which embraces Shanghai, Hankow, and other ports of the Yangtze Valley; and Southern China, of which the main ports are Foochow, Amoy, Swatow, and Canton.

EXPORTS TO VARIOUS PARTS OF CHINA.

According to Japanese statistics the exports of cotton piece goods of all kinds to China during the six years ended in 1912 have been as follows:

Years	Kwantung Yen	Manchuria Yen	Northern Yen	Central Yen	Southern Yen	Total Yen
1907	2,804,594	972,882	3,131,204	1,722,796	25,502	8,656,978
1908	2,139,022	1,371,366	2,080,735	1,641,017	31,196	7,263,336
1909	3,620,886	2,126,734	3,420,006	1,638,257	32,567	10,838,450
1910	5,074,420	3,029,812	5,209,056	2,442,298	36,373	15,791,959
1911	6,863,554	3,782,334	4,331,737	2,508,848	50,431	17,536,904
1912	9,353,879	2,571,414	7,286,969	3,498,314	57,933	22,768,509

Cloth sales to South China are negligible, though some of the goods shipped to Hongkong probably find their way to this section. In the Yangtze Valley, which is the chief yarn market, Japanese cloth sales though increasing are comparatively small and consist primarily of drills and twills, with smaller amounts of sheeting and T cloth and towels. In North China the Japanese have developed a considerable trade with Tientsin and Tsingtau, especially in gray sheeting and drills and twilled shirting, but have not done so well at Chefoo. Their main attention has been concentrated on the Manchurian trade. Most of this trade goes through the port of Dalny, with a much smaller amount direct to Newchwang. Of the total Japanese sales to China in 1912, amounting to 22,768,509 yen, shipments to Manchuria through Dalny and Newchwang accounted for 11,925,293 yen, or over half.

COMPARISON OF OUTPUT AND EXPORTS.

For 1912 the association figures show a total production of 217,671,819 yards of cloth that can be classed under the general term of sheeting and shirting (including sofu, usuji sofu, namihaba kanakin, futahaba kanakin, mihaba kanakin, and cariko). For the same year the customs record exports of gray and white sheeting and shirting and Turkey-red cambrics amounting to 89,402,263 yards, which would show that over 40 per cent. of the production in this line is exported. This does not include the exports of gassed-yarn tissues, which would increase the percentage slightly.

Of tenjiku, or T cloth, the production amounted to 24,298,566 yards and the exports to 7,584,517 yards, or over 30 per cent.

Of twilled tissues and cotton satins the customs record exports of 42,136,274 yards, while the cotton mills show a production of only 41,367,763 yards. The discrepancy is probably due to stocks carried over from the previous year, and goes to show that the drills, jeans, and twilled shirtings made in Japanese cotton mills are almost entirely for export. There is only a small production on the hand looms, as they make principally plain cloth, either of single yarn or, if greater strength and wearing qualities are required, of doubled yarn.

For 1912 the cotton mills show a production of 16,300,568 yards of nankeen. The customs record exports of 5,544,328 pieces of dyed and undyed nankeen. These nankeens, under the name of shiro momen, or white cloth, are usually sold in Japan in 26 or 30 shaku lengths, which is the amount of material required for a kimona for a man or a woman, respectively, but they are woven in double-length pieces and exported chiefly in this form. Averaging the length per piece at 54 shaku, or 22,375 yards, the exports of 5,544,328 pieces amounted to some 124,000,000 yards. The cotton mills did not produce one-seventh of the nankeen exported, and this is mostly a hand-loom trade. China ships some nankeen by sea to Manchuria and a small amount to Korea, but Japan is about the only country in which the hand loom is so great a factor in both home and foreign trade.

In addition to dyed and undyed nankeen the customs record fairly large exports to Japanese toweling, kasuri, and striped goods. The Japanese toweling is really a hand-woven nankeen, and most of it is printed. Kasuri are narrow-woven goods made on the hand loom with yarns that have been dyed by tying them up with hemp strings so that certain portions are left undyed; the goods when woven show irregular white spots on a blue ground, hence the customs translate the term "kasuri" as "spotted tissues." The striped goods are also mostly made on hand looms. Altogether, the exports during 1912 of narrow goods woven on hand looms may be conservatively taken as over $2,000,000.

The cotton mills during 1912 produced 36,068,476 yards of cotton flannel, and 9,649,935 yards, or over a fourth, were exported.

The exports of cotton crepe are shown as 10,230,461 yards and the production in the cotton mills as 6,159,978 yards. Considering that part of the mill production is used at home, the mills account for only about half of the exports; the remainder is made in small power-loom establishments and on hand looms, chiefly the latter.

"INDIA HOUSE"—THE EXPORTERS' AND IMPORTERS' CLUB

Leaving to the merely vocal members of the community the task of reiterating the statement that the volume of our foreign trade is disgracefully small, a group of leading American merchants, bankers and transportation men are creating in New York a much-needed headquarters for the various interests that have to do with foreign commerce. However crammed with cable news our daily newspapers may be, yet personal association among men interested in deep-water trade is still of the greatest importance. The exchange of information and opinion is as useful now as it was when East India Marine Hall, Salem, was not simply a museum, but a buzzing center frequented by adventurous skippers and owners who dominated the oversea trade of the world.

Downtown clubs have been organized for lawyers, railroad men, manufacturers of chemicals or machinery, for underwriters, for stockbrokers. The new meeting place and luncheon club will bring together men concerned with foreign trade, many of whom, now doing business within a couple of blocks of one another, have never met.

India House is the happily chosen name of the new club, whose officers are: President—James A. Farrell, New York; Vice-Presidents—James R. Morse, New York; Alba B. Johnson, Philadelphia; Edward N. Hurley, Chicago; Robert Dollar, San Francisco; Treasurer—J. B. Grace, New York; Secretary—Willard Straight, New York.

These and the following act as governors: W. E. Bemis, William H. Childs, E. A. S. Clarke, W. L. Clark, Col. Samuel F. Colt, E. P. Cronkhite, H. P. Davison, the Hon. Cameron Forbes, P. A. S. Franklin, the Hon. Lloyd C. Griscom, Joshua A. Hatfield, Charles E. Jennings, Waldo H. Marshall, Frank Presbrey, Welding Ring, W. L. Saunders, W. B. Simmons, E. P. Thomas, F. A. Vanderlip, J. G. White and A. H. Wiggin. The Organization Committee consists of Robert H. Patchin, Corresponding Secretary, and the governors of the club, and also the following: Maurice Coster, E. V. Douglass, Martin Egan, John Foord, Charles M. Muchnic, M. A. Ouidin, Charles H. Sabin, Charles A. Schieren, Jr., and Elisha F. Williams.

It will be seen that this group of active and representative men is by no means limited to New York City, and, indeed, the by-laws of India House provide that, of the membership of 1,500, a third shall be resident members, a third non-residents living in the continental United States, and a third non-residents living beyond the continental United States.

The founders of India House believe that we are on the threshold of a new era in the foreign commerce of the United States, and propose to make the new organization, while primarily a luncheon club, a helpful force in the development of American foreign trade.

The National Foreign Trade Council in a recent statement has called attention to the fact that the present European war has proved that foreign trade is a vital element in our domestic prosperity, and has disclosed a fundamental weakness in our foreign commerce, namely, its dependence upon European banking. The council declares that we are certainly at a disadvantage if our trade indebtedness to our South American neighbors, for example:

"Is used to pay for British manufactures exported to South America, while our own manufactures remain congested on our docks for lack of sound credits. The necessity is apparent of machinery to bring together the importer of South American products and the exporter of our manufactures. Toward this goal various banks are seeking to work, but the field is new. The task is complicated by the lack of co-operation between exporters and importers as well as by the absence of established American banks in South American financial centers. The new banking law, fortunately, permits the establishment of foreign branches of national banks. The National City Bank has availed itself of this authority, but the authorization of national banks to deal in acceptances of foreign paper is not yet effective. So long as it is not in operation a serious difficulty confronts the establishment here of an international discount market strong enough to support direct exchange with the neutral markets of South America and the Far East."

India House will do its large share in bringing "together the importer of South American products and the exporter of our manufactures." Said one of the most active organizers:

"Under the new tariff law it was inevitable that American manufacturers should pay more attention to foreign markets than they had ever done. Heretofore a protective policy had enabled producers to flourish without exporting any considerable proportion of their goods. There were a few notable exceptions, such as the United States Steel Corporation and the Standard Oil Company; but as a rule trade within the States was sufficient to engross the energies of American manufacturers. This condition of affairs left the greater part of the trade of the world to other countries.

"Of course, we have a foreign trade now; but with the new tariff and banking conditions, the opening of the Panama Canal, and legislation to encourage an American merchant marine, the time has come for real enterprise and co-operation in this highly important field of commerce. We hope that India House, by bringing together the various elements centered in New York, will be of material assistance in the good cause.

"One indication that the club is sorely needed is that, to my knowledge, there are men who have been in the export business for twenty years in this city who do not know each other even by sight. And in this business personal contact is of more value than in perhaps any other."

The founders of India House have been fortunate in being able to lease the substantial old building occupying

the south side of Hanover Square, on the boundary line between the financial section and the spicy district extending to the East River, devoted since the early days to the importing and trading interests.

This three-story structure is being remodeled. A collection has been made of paintings and engravings of famous American merchant ships and of the swift, sharp-lined American clippers which were used in the China trade to carry light cargoes, such as tea and opium; in the South American fruit trade, and in the roaring trade with California in the "golden days of '49 and '50."

In looking at these pictures of ships, each flying the American flag, it is a little uncomfortable to reflect that a hundred years ago 90 per cent. of our commerce was under our flag and that now the percentage is less than 10.

Although many pictures of ships and of foreign scenes in the Indian and European markets have been collected for India House, the most potent effect of atmosphere will be supplied by the celebrated A. W. Drake collection of ship models, which a founder and officer of the club has secured and will place in the club house.

This collection, said to be the finest private collection in the United States, includes models of all sorts and conditions of craft in which men have sailed the seas in search of adventurous profit. There is an exquisite little full-rigged ship about 8 inches long made of ivory, one of the objects rescued from Barnum's Museum on Broadway, opposite St. Paul's when the museum was destroyed by fire; and there is a wooden ship of similar rig that measures 4½ feet from stem to stern. There are a number of slender clippers, a Venetian boat latine rigged, and a cranky little kayack made of wood and sealskin, with an Eskimo tucked into it holding a paddle and spear.

A side-wheeler, called the Union, and sailing vessels equipped with screws, serve as reminders of the '30s, when Ericsson was proposing to substitute the propeller for the paddle-wheel and enduring the ridicule and scorn of most of the trading and engineering public of the day.

It was not till 1843 that, in a trial of speed, the Princeton, with sailless spars and driven only by Ericsson's screw-propeller, made a complete circle around the admitted queen of the seas, the Great Western, with all sails set, enveloped in a cloud of steam and black smoke, her great paddle-wheels frantically thrashing the waters of New York Harbor.

As the Metropolitan Museum has but one ship model on exhibition, the only local rival that India House is likely to have in the matter of little ships is the New York Yacht Club. Even there it would be hard to find anything to match the gem of the India House collection. This is a model of Columbus' flagship, the caravel Santa Maria. Brilliantly colored and carved, this model was made in Spain and sent to America at the time of the Columbian Exposition, to which was sent also a replica of the ship in its original size. When we recall that Columbus, a foreign trader with an extra large cargo of courage and imagination, discovered this continent on a voyage intended to land him in the Indies, we cannot but feel that the model of the Santa Maria has found an appropriate resting place in India House.

THE RISE AND FALL OF THE YOUNG CHINA PARTY

From The Far Eastern Review.

During the past month or two the plans of President Yuan Shih-kai for the better control of the internal affairs of China have developed to a stage where he is enabled to take paramount command, at least for the time being. And there is no reason why his position should not be so consolidated that in the balance of his lifetime he should be able, if he so desires it, to inaugurate striking reforms in the administration of both the provincial and the Central Governments, and for the material betterment of the economic conditions upon which the prosperity of the country depends. He has now the power to do that. From the time of his acceptance of the Presidency of the Republic in February of 1912 up to November of 1913 he was opposed in most respects by the Young China party, and that opposition was sufficient, he always claimed, to prevent him carrying on the government of the country as he deemed advisable. He has now emerged triumphant over those who set themselves to subvert his rule, and in his victory he should find the way to alter many of the disabilities under which the country was alleged to be laboring when subject to the influence of the young and inexperienced students who found themselves elevated as a result of the revolution into positions of power.

The history of the past few years is among the most startling in the annals of the country. What is picturesquely described as the exhaustion of their Mandate from Heaven brought about the overthrow of the Manchu régime by an element hitherto not connected with the rise and fall of dynasties in China. The foreign-educated student is a product of the new time, and it was not till recent years that he was able to measure his prowess. The knowledge of foreign potentialities, a recognition of the source of foreign strength, and an appreciation of the causes of the wealth of the outer nations spurred him on to assert himself in his own land. The attempt succeeded beyond the wildest expectations, and the ease of that success combined with the wide sympathy extended to the Young China party by the outside world had the unhappy and unfortunate effect of unbalancing the leaders and filling them with such an egotism that their fall was as

swift as had been their rise. They were unable to contain themselves under the seductive influences which are prone to assail the vulnerable weaknesses of mortal man who has, by force of circumstances which he has not accurately gauged, rapidly and unexpectedly climbed to the pinnacle which he has always regarded as the unattainable.

The Manchus fell because they were effete, but before they succumbed to the wave of popular feeling against them they selected Yuan Shih-kai to form, on their behalf, a Republican form of government. They armed a strong man to carry on a combat against the ultra-radical, and to restrain the impetuosities of the youthful progressives. This was naturally resented by the whole of the Young China party. When the terms were being arranged for the abdication of the Manchus the Revolutionists resisted as long as possible the inclusion of the name of Yuan Shih-kai in the Edict. For a time it was thought that the opposition would precipitate a resumption of hostilities, but lack of money, of arms and ammunition, persuaded the Revolutionists that it would be prudent to accept the wishes of those who were endeavoring to put as good a face as was possible upon a bitterly painful task. The handing over of the Presidential seal held by Sun Yat-sen was the result, and the failure of the Young China party to secure a change of the capital to Nanking, combined with the obvious intention of Yuan Shih-kai not to be bullied or browbeaten embittered them against him to such an extent that the radical element swore to unseat him, or so to embarrass and humiliate him that he would be glad to retire.

Thus commenced the tug-of-war between what was called the "north" and the "south," the latter striving for a Cabinet form of Government through which they would be able to dominate in the affairs of the State, and for full and final control of the government of the country through Parliament. They aimed at reducing the Presidency to the feeble and ineffective position of an ornamental figurehead. Every move that could possibly contribute to prevent Yuan Shih-kai obtaining money for administrative purposes was made, while the attempts to form cabinets were futile for many months, the tension between the party cabinet faction and those who favored a Presidential system of Government being acute. With the Parliamentary elections the Young China party obtained such overwhelming gains that the Presidential party was placed in a predicament. To extricate themselves was no easy matter, but the determined set against a party cabinet was carried on to the end. One of the most active members of the Young China party, or the Kuo-ming-tang, as it was called, to advocate the party cabinet system, was Sung Chiao-jen, a man who had been frequently mentioned as the candidate of the Kuo-ming-tang for the Premiership. On the eve of his departure from Shanghai for the inauguration of Parliament he was shot and killed, and this tragic event marks the beginning of the open fight between the Young China party and Yuan Shih-kai.

THE UNDOING OF YOUNG CHINA.

Who was actually responsible for that murder has never been proved. The man who fired the shot died in prison, and the man who instigated him to shoot escaped from gaol and was eventually murdered in a train while proceeding from Peking to Tientsin, in company—not under arrest—with Government detectives. The Peking party will never be able to erase from the minds of the Young China party the belief that the murder of Sung Chiao-jen was arranged in Peking, even though the principals may in no way have been involved in it. So certain, indeed, were the majority of the Kuo-ming-tang members that the murder was instigated in the Capital that they had determined to impeach the President immediately Parliament assembled, and to avert the possibility of the Kuo-ming-tang securing a sufficient majority to carry out their threat the Yuan Shih-kai party commenced to use whatever money and influence they could command to form an opposition strong enough not only to frustrate an impeachment, but also to prevent the Kuo-ming-tang securing any majority on any question of importance. Thus was formed the party known as the Chin-pu-tang.

For some time immediately before and for long after the inauguration of Parliament bribery was the order of the day. Certain members were tempted so strongly by pecuniary inducements that they wandered from one tang to the other till the procession became grotesque. The effect it had, however, was to prevent business being done. Parliament houses were the scenes of continued uproar; the President was accused of unconstitutional actions, and certainly his bold stroke of securing money by having the final agreement for the Quintuple Loan for £25,000,000 signed without reference to Parliament seemed to justify the charge; and every effort was made on the part of the Kuo-ming-tang to bring him to book. The tactics of the Chin-pu-tang were, however, bound to tell, and weeks passed without any work of moment being done. The Chin-pu-tang plan of campaign was either to prevent a quorum by remaining away, to leave the House before a vote could be taken, or to bring about a suspension of the sitting by creating an uproar. Parliament became a byword—and incidentally developed into one of the sights which all foreign tourists felt compelled to visit if they desired to go away with a record of having seen all the strange things open for inspection in the Capital.

Money was able to deprive the Kuo-ming-tang of many of its members, or sufficient, at least, to prevent them ruling the Parliament. Nothing having been accomplished between early April and June, of 1913, the sober members on both sides began to realize that the Parliamentary institution would be jeopardized if they continued along the lines which had marked the first stage of the session. Agents of the Presidential party were continuously at work endeavoring to convince the radicals in the Kuo-ming-tang that their charges against the President were without substantial foundation, but their efforts met with little success. The radicals refused to be convinced, and made no efforts to conceal their intention not to elect Yuan Shih-kai as formal instead of provisional President at the forthcoming election; at the same time clearly allowing it to be understood that they would strain every sinew so to contrive a Constitution that any President would be a figurehead, while the administration would be secured in the hands of a Cabinet responsible to Parliament. A deadlock existed between the parties, but the storm of condemnation of Parliament which arose in the Press ultimately compelled serious consideration of the situation. The result was a Conference of the leaders, the selection of a committee to devise a scheme for a coalition Cabinet, and the setting down of the principle that whoever might be elected as Premier would have power to choose and appoint his own ministers. The conference decided upon a coalition with the then Speaker of the House of Representatives a member of the Chin-pu-tang, as Premier. The Kuo-ming-tang gave approval, but to their astonishment the Chin-pu-tang refused to do so on the ground that the selected Premier belonged to the smallest party forming that body and therefore had no title to the post. Internal jealousies were disastrous to the Chin-pu-tang. It had never settled into any sort of solidarity, and this exhibition of petty feeling finally prevented it doing so. The strongest element in its composition known as the Kung-ho-tang seceded as a result and effected an arrangement on June 18, 1913, to co-operate with the Kuo-ming-tang if the latter would sink their prejudices against Yuan Shih-kai and elect him formal President. This combination was of such immense importance to the future of the Young China party, meaning, as it did, absolute power in Parliament, that the Kuo-ming-tang agreed not

to run a candidate for the Presidency, and left it to the members individually to decide how they would vote at the Presidential election. The moderates of the Kuo-ming-tang rejoiced at this arrangement, especially as they had secured a promise from Sun Yat-sen to withdraw from politics, and it was generally thought that a restraining influence would be exercised over the incorrigible spirits who, from the confines of the foreign settlement of Shanghai, had been murmuring revolution for many months.

While the radicals in Parliament haggled and the moderates strove to find a workable solution of the difficulties, the President was exercising himself with the provinces. In many of them the Governors were Kuo-ming-tang members who employed themselves making the proverbial hay while the sun shone. They failed to make any financial contributions to the Central Treasury, and, it is alleged, placed any surplus they could secure in a party war chest for future reference. Governors with power sufficient openly to divert public funds in this manner constituted one of the gravest menaces to the tenure of Yuan Shih-kai as President, particularly as the tension created by the murder of Sung Chiao-jen had been increased by allegations against the President of unconstitutionality and charges of the assumption of dictatorial powers, to say nothing of the growth of the belief that he was preparing either to restore the Manchu Emperor to the Throne or occupy it himself. Setting himself gradually to eliminate the most dangerous of these officials he eventually accomplished his aim. Detachments of northern troops were quietly and unostentatiously moved to Hankow and Wuchang, the key to the Yangtsze, where the arsenal and other strategic points were occupied; and others were drafted down the Yangtsze to prepare the way for the removal of the Governor of Kiangsi province, an old Tung-ming-hui official from whom trouble was expected. Stipulations having been made that northern troops would not be advanced into the province, the Governor eventually consented to give up his post—and did so. That he was prepared for eventualities is undoubted. He left for Shanghai (to return later) but hardly had he departed than northern troops are said to have moved forward contrary to promise. The Kiangsi troops fired upon them.

The rebellion of the summer of 1913 having thus been developed, Yuan Shih-kai was determined to mince no actions in finally placing his enemies beyond the power of further harm. Sun Yat-sen, Hwang Hsin, Chen Chi-mei, and other old revolutionaries entered actively into the campaign. They employed available troops in the Yangtsze Valley under the leadership of General Hwang Hsin, and flags bearing the legend "tao Yuan" (kill Yuan) flouted the winds from the walls of Nanking, Kiukiang and other cities. The eventual advance of northern troops had a salutary effect upon at least one of the leaders, however, for Hwang Hsin packed his bags, boarded a steamer in the Yangtsze, and fled incontinently for Japan.

This ignominious flight struck consternation into the hearts of some of the rebels, but others kept up the fighting both at Shanghai, Nanking and Kiukiang for some time. The rebellion was destined to fail. Yuan Shih-kai's forces pressed steadily forward and his agents succeeded in satisfying the rebel troops that it would be profitable for them to give up the struggle. Dollars rather than bullets may have constituted the strongest argument—but whatever it was Yuan Shih-kai triumphed, and put to flight Sun Yat-sen and his followers, most of whom took refuge in Japan.

Apart from suppressing the armed movement against him Yuan Shih-kai was able to range in proper perspective those who were for him and those who were against him. This, from his point of view, was a tremendous advantage and worth the struggle. He need have no further recourse to humbug. To urge him to make his victory complete various Governors in the provinces telegraphed him at once to suppress the Kuo-ming-tang party throughout the country on the ground that it was a rebel organization, but that suggestion was not then adopted. Yuan Shih-kai had his own game to play.

The rebellion brought about the ruination of the Young China party. It was an egregious blunder, and one which, it must be emphasized, was not countenanced by the whole party, particularly the moderates in Parliament in Peking. The attitude of these members during this tremendous crisis was, in fact, the most curious spectacle confronting those observers who were without means of knowing the inwardness of the situation. The arrangement the Kuo-ming-tang had made with the Kung-ho-tang gave them a superb opportunity to gain all their ends in a thoroughly constitutional way, and it was with the greatest elation that the leaders contemplated a cessation of the constant turmoil that had marked the Parliament to this time. They were kept in complete ignorance of the rebel developments in Shanghai for the reason no doubt that Peking was not considered safe as a repository for any secrets, and, being in ignorance, were satisfied in the belief that their efforts to convince the Shanghai extremists of the folly of their attitude had prevailed. The outbreak of the rebellion and the immediate announcement that the old leaders, such as Sun Yat-sen, had declared themselves against Yuan Shih-kai was as a thunderbolt to them, and had it not been that their consciences were clear they would have fled the Capital in fear of the vengeance of the man their party had set themselves against, and who now, with an open declaration of war, had all the political representatives at his mercy in Peking. Yuan Shih-kai had but to send a squad of soldiers to Parliament House or to the Kuo-ming-tang headquarters to arrest the whole political section. But he did not do so for the reason that he needed the Parliament for a while longer. Some of the Kuo-ming-tang, in fear of their lives, did actually flee, but the leaders determined to remain in the Capital and attend to their Parliamentary business. The coalition with the Kung-ho-tang enabled them to hold the party together. Many of the members who had got as far as Tientsin returned, and curiously enough Parliament entered upon the most progressive part of its career to that time.

That Yuan Shih-kai permitted the Kuo-ming-tang members to sit in Parliament while he was waging bloody warfare against their comrades in the Yangtsze Valley to determine whether he or the Young Chinese were to dominate in the State, amazed all foreign observers. At any time it was expected that the President would order a general arrest of Kuo-ming-tang supporters, and to the continued astonishment of the country he refrained from doing so even at a later stage when the Constitution Committee refused to permit his delegates to enter the Temple of Heaven when he desired them to put before the Committee his wishes in regard to the Constitution. The constant reports of success or ill-success of rebel forces left the Kuo-ming-tang apparently unmoved. They gave no clue as to their feelings to any of the hundreds of detectives on the watch. So far as outward and visible signs could show no contest for supremacy might even have been thought of. Even the gradual growth of the knowledge that Yuan Shih-kai must win did not unnerve them, though when a Mandate was issued on July 22 prescribing Hwang Hsin, Chen Chi-mei and a few other leaders, they felt that a move would be soon made to notify them that they could no longer exist as a party. The first indication that the President resented the attitude of Sun Yat-sen was given on July 24, when a Mandate was issued cancelling the authority given to him in connection with railway construction, and by the 30th the backbone of the rebellion had been broken, leaving Yuan Shih-kai virtually master to deal at leisure with his enemies. To test the Kuo-ming-tang he issued a Mandate on August 1, giving

the party three days in which to declare its policy, and to throw out from its membership Hwang Hsin, Chen Chi-mei and other leaders who had been active in the rebellion. Sun Yat-sen was not mentioned. The Mandate was complied with, and at once an anxiety became observable on the part of the Yuan Shih-kai party to ascertain how Parliament stood with respect to the forthcoming election of President. Here, then, was the reason for the preservation of Parliament. The Parliament had been duly elected, it stood as the representative of the people, and by it the first President was to be elected. Yuan Shih-kai had constantly professed to be constitutional, and that idea he wished to preserve to the end.

The Kuo-ming-tang, apprehensive of their future, were watching developments closely. Overtures from the Government suggested that they should agree to the early passage through Parliament of the section of the proposed Constitution dealing with the election of President, and that, combined with an understanding not to oppose Yuan Shih-kai, was part of a bargain by which the Kuo-ming-tang were able to secure that Sun Yat-sen should not be proscribed as a rebel, as others had been. The Constitution drafting Committee which was sitting in the Temple of Heaven—the Chairman and the majority of the members being of the Kuo-ming-tang—consequently rushed through the provisions for the election of the President; the Houses of Parliament passed them, and the election took place on October 6, the place of election being surrounded with military to the great intimidation of many of the members. To the disappointment of the Yuan Shih-kai party and to the surprise of the public their candidate was not elected on the first or the second ballot, sufficiently high majorities not being available. On the third ballot, which provided that the candidate with the largest majority should be declared elected, Yuan Shi-kai was returned as President, Li Yuan-hung receiving 179 votes and others lesser numbers. The tenacity with which some of the extremists held to their views and refused to cast a vote for Yuan Shih-kai was not lost sight of, and their attitude in Parliament subsequently was closely watched.

Though elected to the first position in the land Yuan Shih-kai did not control. The Parliament stood between him and effective dominance, and Parliament still showed a disposition to adopt a Constitution which would tie his hands completely. How to overcome Parliament was the puzzle. The members were behaving themselves well, business was being transacted, and the general air was one indicating a certain permanency. An attempt was made in the appointment of the Cabinet following the Presidential election to induce Parliament to throw out the nominee for Premier, in order to give an excuse for strong action by the President, but the Kuo-ming-tang were aware of the scheme and accepted the first Premier nominated with an overwhelming majority. This saved the Parliament for some time, but it had to go, and the only course open to the President was to assail the Kuo-ming-tang as rebels and remove them. Various Governors in the provinces once again despatched telegrams urging the suppression of the Kuo-ming-tang members, and though it was long after the rebellion evidence mysteriously arrived from somewhere purporting to show that members of Parliament had been actively connected with the movement. On November 5, therefore, Yuan Shih-kai brought off his coup by publishing a Mandate declaring the Kuo-ming-tang to be a rebel organization, expelling the members thereof from Parliament, and ordering the abolition of the party throughout the country. Every member of the Kuo-ming-tang was visited by the police, their Parliamentary badges and certificates being taken. Great care was observed not to have members forcibly dealt with, and the coup was carried through without mishap.

Before they were aware of it the Young China party in Parliament were deprived of their power, and incidentally Parliament was destroyed. No quorum could be found, and though efforts of a strenuous character were made by the surviving parties to have the election certificates of certain members returned their importunities availed nothing. Yuan Shih-kai had struck, and he was not disposed to relent.

With the Kuo-ming-tang downfall also collapsed parties who had assisted the Presidential party to accomplish their aim, and though much energy was expended in an endeavor to save the legislative institution from the wreck by having the reserve members from the provinces brought up, it was discovered that most of those were also members of the dissolved party. Gradually the painful realization dawned upon all sections of the Young China party that they had played their last card in the present game. Nor were they permitted to remain long in doubt as to what the attitude of the President would be towards them. The police became excessively active throughout the country. Thousands of detectives were employed to hunt down rebels. Executions were numerous—and swift. A reign of terror lasted for many months, and, it is alleged, as many innocent went to their deaths as guilty. The agents of the Government were out to strike terror into the hearts of all who might think of revenge.

Until April of 1914 these conditions obtained, and an amnesty was only granted then as a result of an outcry in the foreign papers published in China against the wholesale executions of guilty and innocent alike. The aims and ambitions of the Young China party who rose with the revolution were thus frustrated, and Yuan Shih-kai, the man they hated, but regarded cheaply, was left triumphant to control China according to his own lights and without the assistance of any of those who believed that upon their talents depended the future of the country. Of the elements who had contributed to this swift submersion of the Young Chinese the Japanese returned students stand foremost. Among them were the radical revolutionists. The students from Britain and America mostly endeavored to exert a restraining influence, but it was scornfully rejected and therefore unavailing. The Japanese educated students possessed the little knowledge that is a dangerous thing, and added to that was a largely developed spirit of self-seeking and lack of patriotic motive that overrode the saner counsels of the better educated and wiser members of their party. The handicap was too great for the party and it fell a victim to lack of far-sighted, wise, trained and commanding leaders; to a general overweening conceit; to a false estimate of its own power and importance, and, above all, to a sad lack of experience both in rank and file.

OLD STYLE REDIVIVUS.

The downfall of the Young China party, wrought as it was by the suppression of the Kuo-ming-tang and the dissolution of Parliament, placed Yuan Shih-kai in full and absolute command of the Central Government, and gave him the opportunity for which he had long been waiting to inaugurate a system of provincial administration which would in his judgment guarantee the fullest measure of control from Peking. For the previous two years no progress had been made; financial affairs had become so deplorable that bankruptcy stared the country in the face; no organization in any department could be carried on, and uncertainty among the officials caused an unrest that was demoralizing. To the activities of the Kuo-ming-tang were ascribed these unsatisfactory and dangerous conditions. Certainly the Young China party consistently opposed the reappointment of officials whom they regarded as reactionary—and certainly, too, the President showed as consistent a disinclination to place in positions of power any of the returned students, mostly, he argued, because

their western learning compensated in no way for their lack of experience of the conditions in their own country or for their lack of knowledge of the methods best calculated to govern it successfully.

The tendency of Yuan Shih-kai was always to fall back upon the men of the old time who, in his judgment, could alone render effective service. Rightly or wrongly he set himself against the employment of theorists who failed to realize that China was not ready to have imposed upon it forms of administration which had developed in foreign countries only after years of systematized application. To a greater or less extent the foreign Legations in Peking sympathized with the President in this respect, though they looked to him for a progressive policy rather than a reactionary one. This he repeatedly promised to carry out, contending that the only way effectively to do so was to reinstate in all high positions the old officials who had been trained to the work what time they absorbed that peculiar knowledge of their countrymen so essential to possess if efficient government is to be maintained over them. With this idea, naturally, the Young Chinese are in the strongest opposition, but the moderates among them are now content to make a virtue of necessity and permit the President to have a free hand to demonstrate that his contentions are correct.

The sight of a Parliament, unwieldy in numbers, and filled with energetic youngsters clamoring for a new order in customs as well as in Government was a constant source of irritation to Yuan Shih-kai. To root it out while still professing a desire for popular representation of the people was his most difficult task, but to extirpate it he was determined. He was fully aware of the measure of distrust evinced towards him by the Young China party, and realized that if they succeeded in gaining a hold of the legislature his powers would be shorn to the last limit. Yuan Shih-kai is not the man to accept a curtailment of authority from the section which he is still prone to regard as juvenile, and since the Young Chinese were openly bent upon his downfall he felt it incumbent to safeguard himself, firmly believing that it was for the best interests of China so to do. The fight that ensued between the Chin-pu-tang and the Kuo-ming-tang in Parliament, and which culminated in the abolition of the latter, was the fight between Yuan Shih-kai and Young China.

From the time of his assumption of office Yuan Shih-kai was desirous of surrounding himself with the old officials whom he had known in previous days, but hedged in as he was with certain obligations to the Young China party he was unable to do so. Every time the name of an old official was mentioned for a position the political heavens were shaken by screams of violent disapproval. The endeavor of the President to secure trusted henchmen in the Cabinet was futile—Parliament would have none of it. Long ago Hsu Hsih-chang, the present State Secretary, was mentioned as possible Premier. The mere suggestion of such a thing made the Young Chinese see red. The Cabinets which Yuan Shih-kai worked with up to the time he secured his freedom from the thralls which the revolution imposed upon him were the nearest approach to his desires that the Young Chinese would tolerate. None of them suited Yuan Shih-kai and the constant changes in Premiers and Cabinet Ministers is therefore explained.

Had it been possible the Premier and some of the Cabinet who were in power when Parliament was dissolved would have been thrown out simultaneously, but the President was not certain how such a sweep would be viewed by foreign countries, to say nothing of China itself. Through that Cabinet he did vainly essay a change in the provincial administration, and made plans for the drafting of a new constitution to enable him to rule instead of being ruled in the future. Always the Government were appealing to the provinces for financial contributions, but the response was negative; while Provincial Assemblies existed the Governors were unable, however willing, to forward remittances, and Yuan Shih-kai felt it absolutely necessary to abolish them. Strangely enough the provinces remained quiet under this wholesale demolition of the organizations which they had cherished as the material evidence of their liberty and independence. The explanation is the desire of the people for peace in which to continue their occupations, and the destruction of the revolutionary weapons held by the extremists in the Young China party.

Yuan Shih-kai pursued his policy of clearing away obstructions by gradual stages. With Parliament and Provincial Assemblies out of the way he revived the worship of Heaven and set to work to devise a "provisional constitution" giving him a wide power of ordinance and an absolute veto. On May 1 the compact was promulgated. It provides that the President, as the head of the nation, shall have the controlling power of the administration; declare war and conclude peace; convoke or dissolve the Li Fa Yuan, or legislative body, with the permission of the Tsan Chen Yuan, a Council of State comprised of Presidential nominees; appoint and dismiss civil and military officers, and, above all, be the commander-in-chief of, and control, the army and navy, with sole power "to decide the system of organization and the respective strengths of the army and navy." The Constitution makes provision for a Secretary of State "to assist the President," it being laid down that the Ministers of the various boards are simply to control affairs "in accordance with orders," and it also revives the Censorate, which may impeach the Secretary of State or any of the Ministers "when they commit a breach of law."

In a long Presidential statement explaining the reasons which made a revision of the provisional constitution necessary it was declared that the inspiration was due to telegraphic suggestions from various governors in the provinces, and was emphasized by the damage done by the members of the previous Parliament in "cutting the foot to make the shoe fit." As is usual in such cases the President expressed the fear that in his "old and incapable" age the duties "imposed upon him" may be too great, but expressed a desire not to shirk them, as this is "not the time for any person to be selfish."

With this desirable constitutional compact in hand Yuan Shih-kai introduced Hsu Hsih-chang as State Secretary, and remodelled his Ministry, only one of them, Tang Hwa-lung, having been actively connected with the revolution. He, however, was the head and front of the Chin-pu-tang, which party accomplished so much for the President, and it was only fitting that he should be rewarded by being appointed to be Minister of Education at least. The remainder of the Ministers were all of the old school, most of whom had worked with the President in the past as well as in the Cabinet which controlled affairs from the time of the dissolution of Parliament, and all possess the desirable attribute of thoroughly understanding the necessity which exists for the Presidential will to prevail.

The President, being now in supreme power, labored to perfect the plans he had long conceived properly to adjust matters between Peking and the provinces. The habit which the provinces had got into of disregarding the wishes of the Capital and ignoring the financial needs of the Central Government had to be corrected. A separation of civil and military affairs was immediately desirable and to this end a Presidential Order was issued on May 23, virtually reviving, but modifying, the system of provincial administration existing in the time of the Manchu régime. Under it the Governors will carry out the administration of civil affairs with supervisory powers over finance and judicial matters. The old finance departments were abolished, and new ones with orders direct from Peking were created with the object of firmly, and finally if possible,

securing a steady flow of revenue to the Central Treasury. If this be accomplished Yuan Shih-kai will have overcome one of his chief difficulties, and will smooth the way to a maintenance of his control over the country. Upon financial reform hinges the future of China. The troubles of the past two years so far as the Capital is concerned have been based upon the cessation of contributions from the Provinces. In the old Manchu times Peking regularly secured from seventy to eighty million taels per annum—a sum which dwindled after the revolution to nothing, and only quite recently revived to at most two million dollars. During the past two or three months, however, the dominance of Yuan Shih-kai has produced a remarkable fillip, and last month seven million dollars came in, giving a surplus of some three million over the needs of the Central Government, which average about four million dollars per month. This result encourages the belief that with the introduction of the new provincial system, or rather the revival of the old system, the income from the provinces will be brought to its old level within a very few months if the popular mind is not disturbed by any forcible reaction likely to deter the taxpayers from paying their dues. Yuan Shih-kai has, of course, always pleaded that he was compelled to place the Young China party *hors de combat* to enable him to bring about a restoration of the finances, and on that ground he has received the sympathy of the foreign Legations. His justification will undoubtedly be ample if he succeeds in restoring financial conditions without jeopardizing the peace of the provinces, and particularly if by a progressive policy he is able to place trade and commerce upon a sound footing.

In so far as the military is concerned the forces will now be under the control of the Ministry of War, who will be represented in the provinces by special Commissioners. The High Intendant will have no authority over the troops, although he will have the direction of the police and patrol forces, and should the necessity arise at any time for the employment of the military he must apply to the nearest officer in the vicinity for such aid.

Each province will be divided into Tao or Circuits, and Hsien, or Districts, to simplify administration, the officers in charge of each being under the High Intendant of the Province. The control of all these officials will be with the President since it is laid down that the Governors shall not receive instructions from anyone but the President, the various Ministers having been notified that they may not give any orders to any Governors, their connections, if any, being strictly limited to exchange of despatches. Patronage is thus to the widest degree retained in the hands of the President, and the many posts in the provinces will be filled by officials upon whom he can place reliance. Already many old servants of the Manchus are finding their way back into familiar positions in the provinces, as well as in metropolitan circles.

Following the promulgation of the provincial administration system there came out on May 24 a Presidential Order setting forth the rules and regulations of the Tsan Cheng Yuan, or Council of State, a body designed as a kind of Advisory Council. Its members will be nominated by the President, and their duties will be to "attend to the enquiries of the President, and discuss administrative affairs." The matters upon which they may deliberate are stated as "explanations on doubtful points in the Constitutional Compact and all other laws in connection with the Constitutional Compact; and disputes between the executive and judicial departments over the definition of authority," while the President may address enquiries to them and obtain their opinion upon the conclusion of treaties, the establishment of administrative offices, the reform of the finances, the development of education, and the expansion of industry. They will have no legislative powers, though they may make suggestions to the President if any Bill containing such is signed by at least ten members. The Chairman and Vice-Chairman shall not be elected, but shall be specially appointed by the President, and the members numbering from fifty to seventy shall also be appointed by the President from men who possess one of the following qualifications—"Those who have rendered meritorious service to the nation; those who possess technical knowledge in law or politics; those who have administrative experience; scholars of profound knowledge who are authors of works which are of public utility, and those rich in experience and knowledge of industry."

This body is then solely and wholly a Presidential organ, and while there was much speculation upon the promulgation of the regulations as to the character of the members who would be selected to compose the body the public was not left long in doubt. On May 26 the "Government Gazette" contained the names of the nominees, who were headed by General Li Yuan-hung, the Vice-President and hero of the Revolution, as Chairman. There were seventy of them, all savouring of old times. Classified in seven groups they represented officials with metropolitan experience, such as Grand Councillors, Presidents and Vice-Presidents of the old Boards, officials with Provincial experience such as Viceroys, Governors and Treasurers, Ministers who had served in various countries abroad; old representatives of the army and navy; old officials with knowledge of law, of commerce, of industry, of literature. Others have served Yuan Shih-kai since the establishment of the Republic in capacities such as Military or Civil Governors of Provinces, while a few were members of the late Parliament. Among them are no Young Chinese.

In the judgment of Yuan Shih-kai these are the only men who can assist him to place the country on its feet, and he chose them, a high official recently affirmed, because they are the only ones through whom reforms can be carried out,—a dictum which sounds strange to the ears of the Young China party who worked in the revolution to throw them out of office as obstructionists.

The regulations for the Li Fa Yuan, or legislative Chamber, have not yet been promulgated by the President, but a draft of them shows that the members will be partly elected and partly appointed. Every hsien or district will elect ten candidates who shall be nominated by the Magistrates from among the natives of the districts. Five of them shall be the wealthiest persons in the district while the other five shall be nominated from among such classes as have had long administrative experience, a knowledge of law, or are scholars. Or failing sufficient possessing these attributes their places shall be taken by men from the propertied class. These ten candidates shall assemble in the District city and shall choose from among themselves one elector, who shall proceed to the Provincial Capital and there with others similarly chosen shall elect as members of the Li Fa Yuan one-tenth of their number. The President retains the right to appoint, in addition to the elected members, one-tenth of the total number of the Li Fa Yuan, while each Provincial Governor will be entitled to nominate two members. The territories of Mongolia, Tibet, and Ching-hai will have representatives elected according to special regulations, and the total number of members will be about 300.

These regulations contain ample safeguards to prevent any disturbing or undesirable element from creeping into the body. They are designed, of course, to shut the Young China party out, and if the scheme can be consummated the President will have a so-called representative organ under his control which will do what he wishes without unseemly conflicts such as have marked the preceding Parliaments. It is possible that this organization may develop into one which will be able to hold the re-

spect of the people, and if it does the ultimate transition into a purely representative body should not be difficult.

With the completion of the organization of the so-called Parliament the President will signalize his triumph over the Young Chinese and will be free to proceed with the reorganization of the country upon the lines which he claims will alone bring China to a continuously progressive stage. He has deemed it wise to revive the worship of Heaven at the old altar where Emperors have for long years accounted for their stewardship, and this year Young China will, all being well, witness the President of this newest of Republics recounting to Heaven the steps he has deemed it prudent to take to keep the country intact for the enjoyment of the brethren of the five races and the benefit of mankind. And meantime foreigners will watch with great curiosity the development of his plans to see whether they will retard rather than promote the interests which they are specially desirous of forwarding in the country.

INAUGURATION OF THE COUNCIL OF STATE.

On June 20 the Council of State was inaugurated with some show of pomp and circumstance at the building formerly occupied by the Senate. There were 45 members present, out of the 70 nominated, including the Chairman, General Li Yuan-hung, the Vice-President of the Republic. The Secretary of State, Mr. Hsu Shih-chang, represented President Yuan Shih-kai and read to the gathering the address of the President. It pointed out to the members what the President deemed the organization to be.

"It is feared," he wrote, "that my observation and experience are insufficient, therefore the Tsan-Cheng-yuan is inaugurated as an organ of inquiries.....and it is also intended to take temporarily the place of the Li-fa-yuan." This means, some Chinese newspapers declared the next day, that the creation of the legislative organ will be delayed several years. The President, however, has declared otherwise, but in the meantime the Council of State is the only body functioning, and the people will join with the President when he said in his final sentence—"I rub my eyes to witness the merits which will be achieved."

The Chairman, in his address, remarked that "by the blessings of God the hope of our people has been realized; the turmoils have again subsided and things have returned to their normal course," and in eulogizing the merits of the President, added—"with regard to the introduction of systems or reform it is but right that all should be decided by him as the ore should be melted by the furnace." He recounted how, "before the rebellion in the South was suppressed, the National Assembly was split into several parties engaged all the time in quarreling," and explained that as this state of affairs could not last "steps were adopted to dissolve the Kuo-ming-tang, and, when there was no quorum for the Houses the function of the National Assembly was suspended." General Li Yuan-hung placed the onus of this action upon the shoulders of the Assembly itself, but added that unity was impossible owing to the number of members being too large. Then he further explained the powers of the Council of State, declaring that "this Yuan is to form an organ of inquiry, with power to pass any questions, and before the establishment of the Li-fa-yuan—or Legislative Organ shall have the authority to act as a legislative body," added that as this power had been given it showed "the sincerity of the Government in maintaining the Republican form of Government."

The Tsan-cheng-yuan was thus inaugurated, and its first business meeting was fixed for June 24. Should the body wisely demean itself it should be distinctly helpful to the country, but it would be folly to prophesy anything more than the only thing it is safe to prognosticate in China—"we shall see what we shall see."

THE SECRETARY OF STATE EXPLAINS.

In an interview which the writer recently had with Mr. Hsu Hsih-chang, the Secretary of State, it was explained that officials of the old régime were being called back into power merely "to show the young men how to manage administrative affairs, so that, eventually, the young men will be able, by the experience acquired, to take charge of these matters themselves." The young men will be given every chance to acquire experiences. The Secretary of State scouted the idea that the revival of old officials meant a revival of old customs. The Government, he declared, intended to pursue a progressive policy; one which would make for the betterment of conditions in the country.

"The object of changing the administrative systems was two-fold," he said. "One was to place financial affairs upon a proper basis, and the other to try to reduce the number of troops. Within two years the Government hoped to have the finances upon a basis equal to that of the most prosperous times of the old régime and a few years later to have them more prosperous.

"Disbandment of troops has been proceeding slowly for the last year, but the urgency of suppressing bandits who had arisen in various parts compelled the employment of more troops than otherwise would have been necessary. When the bandits are overcome, the reduction of the number of troops will be carried out more rapidly and more regularly.

"The system of adminstration now adopted in the provinces is an improvement upon that which obtained under the old régime. The highest official is called the High Intendant of the Province and will be responsible for the good order of the Province. He will have fairly wide powers because the extent of China is so great that it is almost impossible to have complete centralization. The Central Government would find it tremendously inconvenient to direct all provincial policies, and for that reason it has been decided to empower other officials to act along certain lines for the development of the ideas of the President. The High Intendant will have the power of a high Provincial Official combined with that of a high Metropolitan Official, it being felt necessary to give the foremost official prestige to enable him to restore order and command the respect of the people. Under the High Intendant of each province will be the Intendants of the Circuits, similar to the Taotais of the old régime. The circuit Intendants will render assistance to the highest authority by governing the different circuits of which the Provinces will be composed. Each Intendant will have under him a number of Magistracies or Districts, which will be controlled by Magistrates. This simplifies the old system which divided a province into departments, circuits, prefectures, and magistracies, a system full of complications and which did not work well. The simplification of the old system now introduced will suit the conditions of the people better and meet the requirements of the times, though if experience shows that it is warranted the Government will make further modifications.

"In so far as the military are concerned the troops will be divided into two classes; one will be the military force proper to be used for national purposes, and be under the command of a high military official, and the other will be the gendamerie which will be used to keep order in the Provinces and be available for the use of the High Intendant. These two forces will be under the control of the Ministry of War in Peking, who will also be responsible for their pay. Each city will, of course, have its own police, the upkeep of which will be seen to by the provinces."

A TALK ABOUT TEA

By H. T. WADE

Many causes, all actually preventable, have contributed to the decline and fall of the historic China Tea Trade, and brought it to the disastrous pass in which it finds itself today; unsatisfactory to all engaged in the enterprise, foreigner and native alike. And though these causes are well-known to and recognized by those whose chief interest it should surely be to foster this great industry, remove as far as possible all obstacles to its development, and encourage every effort which is made for its betterment, yet not only are no steps being taken to keep the trade to its once high level, but an aimless policy of drift and *laisser-faire,* accentuated each succeeding year, would seem to be preferred. The patent result is the present degraded position of the trade.

The two dominant factors which have wrought such sad havoc are the positive, and, if we may take this year as an example, the growing dearness of China teas, and their lack of strength, as compared with the foreign grown article from India, Java and Ceylon. That these two defects are remediable, that a revitalization of this moribund trade is possible, and that its rehabilitation may be but a matter of time more than anything else, are views held by several of the older native teamen, who really believe that the old order must change, giving place to new, views well expressed by the present manager of the old established Him Sun On Tea Hong, whose predecessor the talented, and highly esteemed Mr. Awei, was regarded as the Napoleon of the Trade, what time it was in the zenith of its glory, when it was a Merchants' and not the mere Commission Agents' business that it has of more recent years become.

Views from such a source should not be lightly regarded, for they are the outcome of very serious consideration of the present position of the tea trade, and are opportunely made known at a time when it is more likely than it ever has been to obtain Government recognition, and possibly material assistance.

Imperfectly as they may be stated the sum and substance of Mr. Chuck's replies to questions and his voluntary expression of views will, it is hoped, be found to be both interesting and informing, if nothing more.

HOW THE TRADE HAS DECLINED.

"Yes, the present position of the trade is very unsatisfactory. Since 1887 the total export of tea to foreign countries, according to the Customs' returns, has fallen well over 100,000,000 lbs. Fancy what that loss means to the grower and manufacturer, and to the Government in the way of duties! The greatest tea-consuming customer in the world is Great Britain. In 1879 England received 126,000,000 lbs. from China or 80 per cent. of her total import. Today China shares to the extent of but 3 per cent. in a trade of over 300,000,000 lbs. China has simply been ousted from the trade for two reasons: the one that China teas are too dear; the other that they lack strength. But how can one argue with the native who puts the case in this way? Why make any change when we can get Tls. 60 per picul for black teas we were once glad enough to get Tls. 30 for, and Tls. 17 for teas which were selling in Hankow four years ago at Tls. 9? And when there are buyers, at such dizzy heights, of Hysons at Tls. 80 to Tls. 100; Chun Mees at Tls. 70 to 120, and of common or garden Sow Mees at Tls. 25 per picul, which in the eyes of the Home Trade are worth no more than 5d. per lb.? These, perhaps, are extreme cases, but they exhibit a contentment with the existing state of things, fatal to a larger production of tea at a low cost. The wonder is that an article so heavily handicapped as China tea is in the matter of duty and taxes should still hold a respectable place in the world's markets. However, let us look ahead a bit.

"Under the Manchu *régime,* it was always difficult, if not impossible, to get matters properly represented at Peking. The report by Dr. Morrison that China's finances are in by no means the forlorn state some would make out, and by Sir Richard Dane that considerable progress is going on internally give some hope for the future. Yuan Shih-kai, the enlightened President, is always approachable, and matters fairly represented to him are almost certain of consideration. What I suggest is that we Chinese should clearly place before him the prominent fact connected with the tea trade; its present parlous condition; how its situation would at once improve if greater care were exercised in the culture and picking of the plant; how the substitution of new plants for those that have done service for long years, is necessary, how a percentage of the likin tax could be profitably diverted to this end; how the compulsory use of the rolling machine would conserve much of that strength of the leaf lost by the existing system of manipulation. If these, among other things, were clearly and influentially placed by the Tea Guild, the various Chambers of Commerce and Trade bureaux before the authorities at Peking, it is not impossible to conceive that they would be listened to with attention, and that possibly Government action of some kind might result in their favour.

"There is no doubt about it that our black teas lack strength, a defect rather on the increase than otherwise, the obvious reason of which is that the plants are too old, and receive insufficient manuring. A great mistake we make is robbing the plants of their leaves in too short a time. The picking of the first crop, which is usually calculated to be 75 per cent. of the annual total yield, is a mere matter of three weeks. Ceylon picks for twelve months in the year, and India six to ten months according to elevation of the estates. But I have it on exceptional authority that the durance of the picking in China could with advantage be extended, under certain conditions, to six months. Our hurried picking might have been all very well in the days when a fleet of sailing ships came to China solely for the purpose of carrying back teas, but there is little rhyme or reason for it in these days when shipment by steamer is a matter of daily occurrence.

THE TRUE ART OF PICKING.

"Strange as it may appear, and inexplicable as it may seem, the art of picking, requiring both great skill and care, is unknown in China, where five or six leaves are ruthlessly ripped off the branch, thus destroying the leaf buds. This is why it takes six or seven weeks between the picking of the first and second crops. If but the bud and the two extreme leaves of the shoot were plucked, then the buds of the lower leaves would remain uninjured and flush out within twenty to twenty-five days, the supply be more continuous, and the picking more frequent. In the haste in picking, the eye or bud in the axil of the leaf is often injured if not quite destroyed, thus limiting the supply. Paradoxical as it may appear, the native of China, the home of the tea plant, understands little more of the art of plucking than to collect the greatest quantity of leaf in the shortest possible time.

"Even without the aid of machinery the strength of China tea would be greatly increased, as I said just now,

if new shrubs were annually planted to replace the old trees; but the great obstacle in the way of planting is that in every tea producing area there are in each 100 mow or so possibly 50 to 100 growers who would not see the force of planting new trees. The climatic conditions for growing tea are, of course, ideal, while China is perfectly free from those labour troubles which so often beset the planter elsewhere. What is wanted is 'new lamps for old,' that is, at the expense of repetition, judicious manuring and culture, more care in the picking, the removal of at least some of those internal burdens which press so heavily on the industry, some official help, the the withdrawing of the likin tax which would lower the cost of tea Tls. 2 per picul, or its appropriation to the planting out of new areas, official encouragement, a very possible contingency, and the introduction of the simple and economical machinery, the working of which I will now endeavor to explain to you."

Mr. Chuck then took me into his factory where everything was clean and the machinery all worked by electricity. Naturally great store is put by the rolling machine which has produced from common, hungry Hangchow leaf, a Congou of considerable strength, well made, with a fragrance and flavour which would put to shame many of the famed Keemuns, and a Chun Mee, well twisted, long in the leaf, fragrant, pungent, leaving a particularly bright infusion, and drawing a clear cowslip coloured water. As one enters the big godown in which the work is carried on one cannot but be struck with the small army of women and children who, with deft fingers and great speed, pick out from the great heaps of sun-dried leaf placed on the tables before them all the stalks, seeds, decayed leaves and other impurities.

NEATNESS AND EFFICIENCY.

The speed and neatness with which this operation is performed are not less remarkable than the comparative silence which reigns, so different from the Babel native workpeople invariably create and so greatly delight in. When a sufficiency of the hand-picked leaf has been secured it is passed through a series of sieves which, according to their size, turn out, roughly, green teas classed as Fong Mee, Chun Mee, Young Hyson, Hysons, Second Hysons, siftings, dust, etc. Then a second set of sieves separates the fine Fong Mees and Chun Mees from the coarser ones. A large drying machine is next examined. It consists of four shelves or sections placed one above the other, with a sufficient interval between each. When the leaf is placed in the uppermost tray all the dust and other impure articles are driven away by a fan. Then by turning a key on the side of the machine the leaves are lowered to the second shelf to be subjected to a mild current of warm air. The leaves are about 80 per cent. dried when they come out from the third section where the current is much stronger. Finally they pass into the fourth section from which they flow through an opening in the bottom of the shelf into a receptacle awaiting them.

For the manufacture of green tea there is a very attractive machine. It is a large octagonal tube or drum, especially constructed for the purpose of first firing. This drum which revolves over a charcoal fire has a hollow axis connected to a pumping apparatus by which a continuous supply of fresh air is pumped into it to purify the damp air produced by evaporation during the firing, thus imparting to the leaves both vividness and fragrance. This drum, of a capacity to hold 300 lbs. of leaf or the equivalent of the contents of five half chests of tea, makes forty-five revolutions over the charcoal fire, per minute, and as the tube has eight sides, the leaves are consequently turned over 360 times in a minute. This firing process lasts about one hour and the result is firm leaf of fine fragrance.

There are other machines for polishing, or glazing or brightening Gunpowders, Chun Mees and Fong Mees without the use of fires, provided with side fans to blow off the dust and impure particles, inevitable attendants of the process during the revolution of the leaf. This process occupies about a couple of hours. The machinery, much of which has been imported, though a considerable quantity is of local manufacture, is constantly inspected in detail by the Manager, who himself has thought out and brought to bear many improvements, and though this initial equipment is naturally not perfect it answers already its purpose beyond expectations.

TWO MACHINES NEEDED.

To the question whether the machine could be used for firing both black and green tea, the reply was, No. The same machine cannot be used in both cases, and the reason is this. In manufacturing green teas in China the freshly plucked leaves are rolled by hand and immediately thrown into iron pans, and roasted over slow charcoal fires. The consequence is that our green teas have a bright green infusion and a strong, fragant water, unattainable by the processes employed in other countries, whereby the leaf-blood is practically all retained, with the result that the liquor is too coarse, strong and astringent, and often acrid to the taste. Therefore it is that machinery should not be used for rolling freshly gathered green leaf, an operation better done by manipulation; but for firing green teas after they have been hand-rolled, machinery must be employed to obtain even and uniform colour, a result but imperfectly achieved by hand methods.

In the case of the manufacture of black tea the process is just the reverse. Rolling by machinery of the fresh leaves must be resorted to to conserve as much as possible the leaf-blood that the teas may be strong in water and bright red in infusion. The fragrance and flavour, once more characteristic of China black tea than they are today, when the leaf is often hawked about the country for days before it has the chance of being fired, result from the fact that the leaves are dried in bamboo baskets over fires. Strength, sheer brute strength, strength without fragrance or keeping power, is the result of the Indian process, the characteristic of its tea.

MACHINERY AGAINST COMPETITION.

"However, I am quite satisfied with the outturn of both black and green teas from the factory. If so much can be done with old, starved Hangchow leaf, what may not be expected from the more generous leaf of Keemun, Ningchow and Oanfa? Present results are sufficient to warrant the belief that the rolling machine has come to stay, and the hope is entertained by all who have seen what can be done by simple machinery that China at no distant future may be able to wage successful war against her present competitors.

"Rome was not built in a day, and it is not likely that a custom which has obtained for a 'cycle of Cathay' can be quite changed in the course of a season or two. The co-operation of all those who furnish the sinews of war is required. The prices obtained for machine made teas may sooner than is expected effect the desired revolution.

"I had almost forgotten some of your other questions which I will endeavour to answer *en bloc*.

"It takes about four piculs of green leaf to make one picul of manufactured tea.

"Green leaf rolled by machinery has no flavour. It should first be rolled by hand, then submitted to the roller and firing.

"China black tea is weak because, in the first instance, the plants are too old, and in the second, the method of manufacture is wrong.

"The proper method is as follows:—

"First expose the freshly gathered leaves to the air, and then roll them into twisted leaves. The twisted leaves should then be exposed to the sun and when hot thrown into the tubs and covered with a cloth while they ferment.

"The process of fermentation must be carried on until the leaves assume a copper-brown tint. Treated thus the product will have a bright red infusion and strong water.

"Experiments recently made with second crop Ningchow leaf confirm this in every way.

"Ningchows and Hankow teas have a more or less yellow-greenish infusion, which would not be the case unless fermentation had been imperfect.

"Coloured and uncoloured green teas should not be made under the same roof. Imported sun-dried leaf, absolutely free from colour, will take colour from floating particles which always hang about premises where colouring has been going on.

A HEAVEN-SENT HERITAGE.

"Mr. MacGregor, the urbane conservator of our Parks and Gardens, has kindly intimated his willingness to experiment with the manuring and pruning of tea shrubs, and to that end I have ordered eighty plants from the Ningchow district, which should be here very shortly. In consequence of the great demand for machine-made and polished teas, I have found it necessary to acquire large premises, to which I shall remove my plant next year, but meantime should any one care to witness the operation of my machinery I shall be glad to show him round any Saturday afternoon."

My host's closing words to me struck deeply, "The loss of so great a part of such a heaven-sent heritage as the China Tea Trade is a national disgrace. Its recovery would be a national honour."

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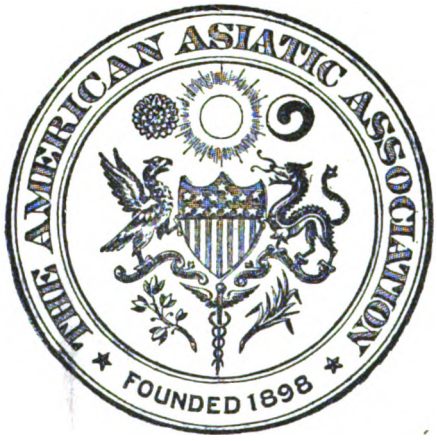

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No more notable contribution has been made of late to the discussion of the relations between China and the United States than the speech delivered by the Honorable William W. Rockhill at a meeting and dinner of the Asiatic Institute on November 12. The speech, together with two other addresses made on the same occasion, is elsewhere reproduced and deserves careful as well as critical perusal. It is good to have a man like Mr. Rockhill as a mediator between the East and the West,—a man who has served in China in many capacities from that of Second Secretary to Envoy Extraordinary and Minister Plenipoteniary, who has traveled far and wide through China and its dependencies and has been a student of its language and literature; one who thoroughly understands the Chinese and knows the temper of the Orient. But, occupying a position so exceptional, Mr. Rockhill must be prepared to have his statements analyzed with more care, and weighed with more scrupulous attention than would be necessary in the case of one whose utterances carried less authority. For example, Mr. Rockhill refers to the withdrawal of the naval and military forces of the European belligerents from China as having created a sense of insecurity not only among the foreign communities but among the Chinese themselves, and he points out that this imposed on those Treaty Powers which had been able to remain neutral and which usually maintain naval and military forces in the Far East the clear duty of supplying the deficiency. Only thus, he insists, can there be secured a fair degree of protection to foreigners and any material assistance to the Chinese government in carrying out its present very onerous and difficult duties. Mr. Rockhill adds that among the neutral powers which could and should take over the discharge of this duty, the United States stands first, since there is among the Treaty Powers only the Netherlands, similarly situated, which has warships in Chinese waters. Mr. Rockhill had not heard that our naval forces on the China Station had been increased or that we had taken any steps to fulfill this duty, and he expressed a hope that the necessity of the case would be appreciated and adequate measures adopted to discharge our obligation.

There is here an implied reflection not only on our Department of State, but on the diligence of its Bureau of Far Eastern Affairs in keeping the Secretary informed as to actual conditions in China. The facts are that, as appears from a Washington dispatch of October 23, the

necessity of increasing American forces in China along the railway from Peking to the sea, because of the withdrawal of the troops of nations engaged in the European conflict, was then being considered by the War Department. The railway and legations being guarded by troops of Great Britain, Japan, Germany, Austria, Russia, and Belgium, most of whom had been ordered out since the war, the United States, at the request of the foreign powers, had extended the American troops to guard the line from Peking to Mukden. It was further intimated that Major-General Barry, commanding the Philippine Department, had gone to China to inspect the arrangement and reported that the guard seemed sufficient. But, as a matter of fact, both the naval and land forces of the United States in China have been increased, and this government has assumed a larger share of the burden of guarding the line of communications agreed to among the Powers in the protocol negotiations of 1901. These are facts which at least modify the implied strictures of Mr. Rockhill on the diligence of the State Department in fulfilling American obligations toward China.

ANOTHER point on which Mr. Rockhill's statements invite qualification, is in regard to the violation of China's neutrality by Great Britain and Japan in the attack upon the German position at Kiaochau. To the accusation that China became a party to an open breach of neutrality in permitting Germany to fortify the leased territory, Mr. Rockhill says that the erection of these fortifications had only been allowed for the purpose of "increasing the military readiness of the Chinese Empire." Surely, Mr. Rockhill is capable of perceiving the humor of a statement like this, even if the Chinese are not. It is probable that they could not help themselves, and had to face the inevitable, but they seem to have made no audible protest—called for no interference from the Powers pledged to the maintenance of the integrity of China—while Kiaochau was being fortified by a foreign Power in open defiance of the sovereignty of the Republic over this part of its domain.

IT is quite true as Mr. Rockhill puts it, that the question of Chinese neutrality, or rather China's power effectively to enforce it, is one which deserves sympathetic attention and friendly assistance in settling. Obviously, under the régime of exterritoriality, of international settlements, concessions, leased territories, railway zones, et cetera, in none of which is China able to enforce fully its laws and orders, it is impossible that the government can adequately discharge its duties of neutrality, and inconceivable that it should be held strictly responsible for their performance. Moreover, it is impossible not to have a keen sympathy with the apprehension of many reflective Chinese that they are about to witness the absorption of some more of their territory by a power whose intentions they frankly distrust. As the Peking correspondent of the *North China Daily News* concedes, in commenting on the sentiments expressed by several members of the Council of State on this subject, the Chinese cannot be blamed for remembering Korea and Manchuria, and the fact must be recognized that the Chinese government is faced by circumstances which give its internal enemies a powerful weapon of offense.

IN the few remarks made by Mr. Martin Egan at the meeting of the Asiatic Institute, he made a forcible appeal to the American people to regard the Philippine question through other than partisan spectacles. He declared that the possession of the Islands and their administration brought home to the nation a grave responsibility—a responsibility which involves the honor of our people, and should spur them to diligent and self-sacrificing efforts. Mr. Egan is unfortunately right in his conviction that our purpose in the Pacific Basin lacks coherency, and that it is high time the American people began to grasp their great relationship to that part of the world and its peoples with intelligence and foresight. He may, or may not be strictly accurate in the statement that our people have done more national thinking in the last 90 days than they have done in the previous 90 years, but it is certain that the international horizon of Americans has been sensibly broadened since the outbreak of the European war, and that at no time since the beginning of our war against Spain has the popular mind turned so intently upon problems of external politics as it is doing today. Certainly not the least of these problems concerns our relations with the peoples of Eastern Asia, and it is one whose solution cannot be much longer safely deferred.

THE returns of foreign trade for the nine months ending with September show, in regard to every section of the world, the immediate effects of the war. Our exports to Europe have been $122,000,000 less than in 1913; to North America they have been $48,000,000; to South America $37,000,000, and to Asia $18,000,000 less than for the corresponding period of last year. The bulk of the Asiatic shrinkage is accounted for by a fall of $12,500,000 in the sum of exports to Japan, although there has been an increase of $10,000,000 in our imports from that country. The exports to China for the nine months are valued at $18,083,921, or $2,800,000 below the total of 1913, while the sum of our imports from China remains about as it was a year ago, or a little less than $30,000,000. With the British East Indies our export trade remained about the same figure as it was a year ago, while the total of imports has fallen a little over $6,000,000. Trade with the Philippine Islands shows an increase of $4,000,000 in imports and a decline of $2,000,000 in exports. As will be observed from the detailed tables elsewhere, there has been a decided decrease during the nine months of our exports of cotton piece goods to China, and the Philippines again lead the Chinese market in their demand for American cotton cloths. There has been an increase in the export of illuminating oil to China, which next to the United Kingdom and the Netherlands furnishes the largest market for that product. Hongkong continues to be an important outlet for American wheat flour, although the total export for the nine months is considerably less than it was a year ago.

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, 1913 and 1914.

EXPORTS TO CHINA.

Months.	Cotton Cloths. Yards.		Mineral Oils (illuminating). Gallons.		Wheat Flour. Barrels.	
1913						
January	7,096,890	$481,040	2,988,096	$134,464	11,264	$44,611
February	7,005,113	489,324	3,385,530	293,367	35,988	139,183
March	8,576,182	561,677	7,817,080	442,421	47,313	178,385
April	10,679,063	743,675	7,110,600	642,584	19,450	76,933
May	14,491,282	1,022,369	13,645,100	955,947	240	971
June	11,866,362	835,725	13,914,180	1,178,370	100	400
July	13,861,576	947,287	7,367,800	400,559	8	48
August	5,839,825	398,458	2,029,963	101,498	3,128	12,545
September	12,196,195	815,514	7,188,242	388,354	13,763	53,191
Total	91,542,488	$6,295,069	65,446,591	$4,537,564	131,254	$506,267
1914						
January	5,834,057	374,844	5,862,678	550,580	20,438	83,928
February	5,917,505	386,094	3,933,710	365,668	9,128	37,567
March	3,480,246	234,926	10,357,055	761,109	6,842	25,543
April	7,774,295	523,534	10,576,471	850,158	1,192	4,960
May	4,649,948	343,630	6,672,558	633,491	863	3,825
June	5,039,603	353,991	13,673,612	986,760	2,565	11,277
July	3,291,763	263,090	16,200,906	1,035,214	2,940	11,819
August	354,756	28,435	.....	.....	1,636	7,182
September	115,112	10,279	9,872,856	473,218	5,567	22,635
Total	36,457,285	$2,518,823	77,149,846	$5,656,198	51,261	$208,367

EXPORTS TO HONGKONG.

1913						
January	636,832	$43,454	1,425,810	$151,888	60,862	$228,941
February	163,478	25,420	.....	.....	102,121	410,463
March	196,668	29,815	.....	.....	129,461	492,019
April	211,034	33,938	1,195,000	117,707	120,249	478,075
May	161,310	26,267	2,311,000	212,612	160,755	642,322
June	109,841	17,046	2,235,000	205,620	76,636	308,268
July	101,998	16,568	3,659,160	258,103	143,689	572,237
August	155,718	20,489	.....	.....	49,897	202,209
September	109,192	16,476	487,143	45,342	27,423	105,366
Total	1,846,071	$229,473	11,313,113	$991,272	871,093	$3,439,900
1914						
January	26,947	4,210	3,069,936	154,129	156,240	630,482
February	37,817	5,925	2,313,350	137,351	45,483	182,177
March	25,151	4,034	60,770	6,182	84,138	328,602
April	34,782	4,823	2,591,000	145,570	37,677	148,345
May	68,994	10,245	1,650,000	74,250	19,915	76,043
June	22,030	3,856	1,706,300	170,630	52,982	202,709
July	5,612	1,588	2,301,531	207,341	118,225	452,024
August	8,249	1,157	800,000	70,800	22,540	86,240
September	4,516	1,263	.....	.....	54,154	212,662
Total	234,098	$37,101	14,492,887	$966,253	591,354	$2,319,284

DEPARTMENT OF COMMERCE,

WASHINGTON, D. C., November 10, 1914.

Bureau of Foreign and Domestic Commerce.

Imports of Tea and Silk into the United States for the nine months, ending September 30, 1912, 1913 and 1914.

TEA.	1912.		1913.		1914.	
Imported from	Pounds.	Dollars	Pounds.	Dollars.	Pounds.	Dollars.
United Kingdom	7,234,297	2,264,279	9,381,730	2,854,910	9,920,394	2,754,629
Canada	1,953,496	578,294	2,351,268	690,339	2,642,679	703,254
China	18,239,887	2,495,104	11,660,049	1,569,650	13,072,474	1,822,534
East Indies	10,069,060	1,665,341	6,857,268	1,146,846	8,435,432	1,446,882
Japan	29,143,039	5,404,000	32,184,320	5,723,330	32,771,915	5,984,665
Other countries	689,097	137,820	713,199	139,085	1,028,484	205,674
Total	67,328,876	12,544,838	63,147,834	12,124,160	67,871,378	12,917,638
RAW, OR AS REELED FROM THE COCOON. SILK.						
Imported from	Pounds.	Dollars	Pounds	Dollars.	Pounds.	Dollars
France	65,418	232,905	68,044	171,737	63,153	236,814
Italy	1,797,170	6,560,230	1,966,792	7,531,998	1,491,704	6,649,371
China	3,606,068	8,920,041	4,240,152	10,300,213	3,374,680	9,487,398
Japan	11,265,439	36,052,730	12,665,382	42,878,303	14,269,834	53,487,980
Other countries	130,710	422,303	216,864	770,435	191,828	757,385
Total	16,864,805	52,188,209	19,157,234	61,652,686	19,391,199	70,618,948

THE UNITED STATES AND CHINA

Dinner to honor MR. ROCKHILL

A meeting and dinner of the Asiatic Institute took place at the Century Asociation, New York City, Thursday evening, November 12th, 1914, in honor of the Honorable W. W. Rockhill, on the occasion of his return to China on a periodical advisory mission in connection with his work for President Yüan Shih-k'ai and the government at Peking.

Mr. Willard Straight presided and introduced the guests of the evening with a comprehensive review of America's position in Pacific affairs. Short speeches were made by Hon. Horace N. Allen, Mr. J. A. Thomas, Hon. E. T. Williams, Mr. Martin Egan, Dr. Felix Adler and Frederick McCormick.

Mr. Rockhill spoke as follows:

Gentlemen.—I deem it a great honor and an exceptional piece of good fortune that you have been so kind as to invite me to meet the members of the Asiatic Institute this evening and that you should permit me to address you on a topic in which you and I are keenly interested: that of the relations of China and the United States.

Among the objects of the organization of the Asiatic Institute was "the establishment of the study of Chinese progress and reforms, and the contribution by the co-ordination of American activities to the resolution of questions arising in Eastern Asia from the contact of different civilizations."

During the last six months I have had the honor of submitting to the Instituite in three reports the general results of a journey which I undertook during last winter and spring through the Chinese Empire, a journey which led me to Urga, the capital of autonomous Outer Mongolia, to Harbin, the centre of Russian influence in Manchuria, to Mukden, the headquarters of Japanese activities in the southern part of the same region, and thence, by various slow stages, to Canton in the south. In these reports I endeavored to give an impartial view of present conditions, both political and economic, to indicate the difficulties the government has had to meet and must meet in the future in its efforts to establish order and successfully adapt to the peculiar wants of the nation the methods of modern administration and material development. I referred to the present condition of the people, and noted, with apprehension for the future of representative government, the absence of public sentiment, and I called attention to the universal hope for the establishment of a strong centralized government and the creation of an efficient and honest administration.

The conclusions I then reached were that, under the guidance of President Yüan Shih-k'ai, a strong centralized government was being established and that he was endeavoring with his well known vigor and determination to create a good administration. Since then nothing has occurred to shake my belief in his determination to bring about this wonderful change. Mistakes will be made, experiments will fail, criticism, not only of the men but of the methods they employ, will be frequent and violent in China and out of China, but with it all the modernization of Chinese life, social, political and economic, will go on, and will, it is believed, ultimately create a stronger, richer, and, let us hope, freer and happier country than in the past. In the meanwhile I agree with President Eliot in thinking that "the Western world ought to stand by China with patience, forbearance, and hope, while she struggles with her tremendous social, industrial, and political problems."

Let us turn now to the interest of the United States

in the progress and reforms of China. Though the opening of our relations with China in the latter part of the eighteenth century was solely for purposes of trade, in the first half of the last century our missionaries began their establishment in the country and rapidly acquired the well-merited friendship and confidence of the people by the excellence of the education they were able to give the children. Thus it was that the United States began the modern educational movement in China. In the sixties Chinese, who had received their early education in missionary schools, began coming to the United States to complete it here. In 1871 the Viceroy of Chih-li, Li Hung-chang, sent a Chinese Educational Mission to the United States with thirty very promising lads to be educated in this country. This proof of the trust placed in the United States by China was welcomed by us at the time, and both the government and the people of this country accepted it with gratitude, moved by humanitarian, idealistic, or more practical reasons, but all seeing in it a way to extend our culture and our influence in China, an opinion which years have confirmed, as our educational interests among the Chinese have grown.

And so we went on for years, dividing the attention we bestowed on China between trade, proselyting, and educating, trusting for the maintenance and extension of our interests in the country to the most favored nation clause of treaties, and to the advantages we could now and then derive indirectly by the forceful means then frequently had recourse to in China by other nations, the so-called "Gunboat Policy," and to the purity of our intentions.

With the war between China and Japan which broke out in 1894 a new era opened, that of rapid encroachment on China by its powerful neighbors. For political as well as commercial reasons they sought to partition the Empire among them by the creation of spheres of influence, the securing of strategic bases, the building and operating of lines of railway, and the acquisition of vast and ill-defined concessions over the whole face of the land. It became apparent to the United States that if it did not take measures to check the movement its trade would be wiped out, its religious and educational interests restricted, and its influence and prestige with the Chinese reduced to naught.

In 1899 the administration at Washington put into practical shape the suggestions then being made by various British writers and statesmen in favor of securing to the commerce and navigation of all nations in China equality of treatment within the so-called "spheres of influence," in other words the maintenance of what is called the "Open Door" policy. You recall the result of the negotiations entered into in 1899 between our government and the various Treaty Powers directly interested in the question. They all accepted the proposals made by the United States, some in a whole-souled way, others with reluctance, others, again, with mental, or even verbal, reservations, but, nothwithstanding this, the Open Door policy became an acknowledged part of the general policy of the Treaty Powers in China with the United States as its guardian. This was the first, and it has turned out to be the only, successful attempt, which has so far been made to initiate a general understanding, a common action of all the Great Powers having interests in the Far East, affording a means of settlement of pending questions, while recognizing all legitimate interests and rights.

The value of the Open Door policy was not solely in the protection it afforded trade and navigation, it had an important political side; it was a powerful weapon for protecting China's integrity, for preserving her independence. This side is shown by our action during and after the Boxer troubles in 1900. In the words of Mr. Hay, our then Secretary of State, "The policy of the United States is to seek a solution which may bring about permanent safety and peace to China, preserve Chinese territorial and administrative entity, protect all rights guaranteed to friendly Powers by treaty and international law, and safeguard for the world the principle of equal and impartial trade with all parts of the Chinese Empire." Captain Mahan has clearly stated the same conception of its scope when he said that "the Open Door, to be beneficially effective, demands evident security of maintenance, freedom from disturbance, under the balance of forces applicable in the Pacific in general, and in the Western Pacific in particular."

In the face of considerable difficulty and of not a few attempts on the part of sundry Powers to evade the faithful performance of the promises they had given us, we fought manfully for five years for the maintenance of the Open Door in every corner of the Chinese Empire, even though in so doing we may have temporarily strained the good relations we always wish to maintain with the whole world.

During the Russian supremacy in Manchuria our trade in that region reached the high tide of its development, but so popular had become among our people the Policy of the Open Door that it was held with the Munroe Doctrine as a declaration of national policy, and so they gave sympathy and even financial support to the Japanese when, in 1904, they went to war with Russia after the latter's refusal to agree to their demands, the first of which was a "mutual engagement to respect the independence and territorial integrity of the Chinese and Corean Empires, and to maintain the principle of equal opportunity for the commerce and industry of all nations in those countries."

In 1905, before the Russo-Japanese war was over, Japan renewed her treaty of alliance with Great Britain, one of its objects being "The preservation of the common interests of all Powers in China by insuring the independence and integrity of the Chinese Empire and the principle of equal opportunities for the commerce and industry of all nations in China."

Not content with these pledges of its good faith in regard to the policy of the Open Door in China, Japan, in 1907, pledged herself again to it in an agreement with France, and yet again in 1908 to the United States. In this case it was furthermore agreed that for the defense of the Open Door Japan would, after agreement on the measures, join with the United States whenever occasion

might arise in supporting "by all pacific means at their disposal the independence and integrity of China and the principle of equal opportunity for the commerce and industry of all nations in the Empire."

Japan had taken the place of the United States as guardian of the Open Door in China, and become its chief exponent.

There is absolutely no doubt that in southern Manchuria British and American trade have been steadily declining since that part of China passed under Japanese control, nor is there any doubt that it has been for a great part driven out by Japanese competition supported by preferential customs and railway rates, shipping bounties, and successful resistance by its traders in Manchuria to paying China's internal taxes. Twelve years ago American piece goods trade held the market of Manchuria; to-day, out of a total trade in cotton piece goods alone of about twenty-four millions, our share is less than three millions, all lost to Japanese manufacturers. The greater interests of Great Britain and France in other parts of the world caused these countries to sacrifice their trade interests in China, to give a free hand to Japan in economic matters. As to America, the protagonist of the Open Door Policy, it let pass out of its hands the duty and responsibility of maintaining it, and the honor of retaining the commanding rôle in the affairs of the Far East which would have been ours. Before, however, retiring from the scene of activity in China our government, in 1909, made one more attempt to maintain the policy of the Open Door and justify the expectations of the discoverers of the panacea called "Dollar Diplomacy," by securing American financial participation in several important loans which the Government of China was seeking to negotiate with various foreign banks. I will not dwell on the stirring incidents which marked the fleeting appearance of America in the field of finance and politics in China, but I cannot pass it by without mention of the permanent moral benefits it brought us, the practical assistance it rendered China, while it lasted, in defending her rights and interests, and the profound regret of China and her friends when, moved by idealist views and imperfect information, the present administration at Washington saw fit, in the spring of last year, to withdraw its support from the American banks. While declaring that "our interests are those of the Open Door, a door of friendship and mutual advantage, this is the only door we care to enter," it declined to take a step to show the one or to secure the other. I only know of one blow equally heavy which has been dealt our interests, our prestige, and our influence in China: it was the cancellation, in 1905, of the concession of the American-China Development Company.

Let us look now at our present relations with China, those arising out of the political situation created by the extension of the operations of the European war to Chinese territory.

When war broke out in Europe the Government of China was among the first to declare its neutrality and to issue a proclamation in accord with Western precedents for the enforcement of the strictest neutrality, and this was at once put into effect.

Recalling furthermore the action of the American Government when war broke out in 1904 between Russia and Japan and when it had got the neutral Powers to join with us in asking the belligerents to limit the area of war operations in China to Manchuria, and had thus been the direct means of sparing China much loss and great expense, the Government of Peking took the additional step of asking the Governments at Washington and Tokyo to use their good offices in preventing hostilities being carried out in the Far East. Tokyo replied that the time had not yet come for such action, and Washington, while agreeing to the general desirability of such limitation, did nothing.

Then came the entry of Japan into the war for the purpose of capturing and eventually returning to China the powerful fortified naval base built by Germany on territory which China had leased it in 1898 "to strengthen the bonds of friendship which unite the two countries, and to develop the economic and commercial relations between the subjects of the two States," and which Japan and the Powers of the Triple Entente, and possibly not a few other Treaty Powers, had come to consider in German hands a standing menace to the peace of the Far East.

The action of Japan was taken after consultation with its ally Great Britain, and, inferentially, with the approval of France and Russia, and Great Britain sent a small force of troops and some ships to participate in the Japanese attack, thus binding itself equally with Japan to the faithful performance of its pledges.

Hostilities between Powers with which China entertained the closest and friendliest relations on territory over which by the terms of China's agreement with Germany she still had "all rights of sovereignty" and on which fortifications had only been allowed to be erected by Germany for the purpose of "increasing the military readiness of the Chinese Empire," was on their part a most fragrant breach of neutrality, but China could not prevent it, she had, perforce, as humiliating as the admission must be, to accept the inevitable. A proclamation limiting the area of military operations to a certain zone was issued, and steps taken to enforce it, but violation after violation of her neutrality by all the belligerents have followed, and each has protested to China for her remissness, and China in turn has protested at each offence of the combatants. Kiao-chou has now fallen, and we may, I think, rest assured that the pledges of Japan and Great Britain will be kept and that the integrity of China will not suffer. The best interests of China have been served by the military operations in Shantung having been vigorously conducted on both sides and promptly brought to an end.

The question of Chinese neutrality, or rather China's power to effectively enforce it, is one which deserves sympathetic attention and friendly assistance in settling, for under the régime of extraterritoriality, of international settlements, concessions, leased territories, railway zones, etc., etc., in none of which is China able to fully enforce its laws and orders, it is impossible that the Government can discharge its duties of neutrality, and inconceivable that it should be held strictly responsible for their performance. The disregard of Chinese sovereignity and

neutral rights by Treaty Powers in China within the settlements, concessions, and in other places in which they have acquired, or claim, certain privileges are innumerable in the past, and the present war is but adding largely to the already formidable list. It is sincerely to be hoped that on the termination of the present war the Treaty Powers in conjunction with the Chinese Government may devise adequate means to improve China's situation in this respect; for the time being there seems nothing more to be said or done.

The withdrawal of the naval and military forces of the belligerents from China happens at a period when the internal condition of the country is still unsettled; when, notwithstanding the energetic measures the Government is taking, not only to keep its neutrality but to preserve the internal peace of the country and to protect foreigners and their interests, there is constant apprehension, if not actual danger, of internal troubles and disturbances. These conditions may create, probably have already created, a sense of insecurity throughout not only the foreign communities in China but among the Chinese themselves, which it is easy to understand, and which imposes, it seems to me, on those Treaty Powers which have fortunately been able to remain neutral, and which usually maintain naval and military forces in the Far East, the clear duty of supplying this deficiency, and thus assuring a fair degree of protection to foreigners and, at the same time, assisting very materially the Chinese Government in effectually carrying out its present very onerous and difficult duties. Among the neutral Powers which could and should take over the discharge of this duty the United States stands first, for, exclusive of it, there is among the Treaty Powers but the Netherlands, already fully occupied at home, which has warships in Chinese waters.

I have not heard that our naval forces on the China Station have been increased or that we have taken any steps to fulfill this duty. I can but trust that the necessity of the case has been appreciated and adequate measures adopted to discharge our obligation.

In conclusion, it seems clear to me that so long as we shut our eyes to the undoubted fact that, in the East at least, from Stamboul to Tokyo, politics, finance, and trade go hand in hand, and that neither the profits of trade can be fully reaped nor our influence and prestige be adequately upheld without incurring the responsibilities incident to political and financial activity, we must be content to play a modest, effaced rôle in the Far East, unworthy, in my opinion, of our great country and its vast interests in the Pacific.

The rôle of philosopher and friend of the Chinese is left us. China still looks to us as able to give her youth the education best suited to prove of benefit to them and their country. It must be a source of genuine satisfaction to us to know that a large majority of the Chinese reared in our missionary educational establishments and in this country have shown themselves in after life well-balanced, useful men. Not a few of them have risen to the highest offices of the State, or become eminent in the professions which they have chosen. Some, it is true, of less poise and of more emotional temperaments, carried away by the enthusiasm of youth and the novelty of the flights and fancies of the teaching in our most advanced schools of political thought, failing utterly to recognize the tremendous difficulties and the length of time which the change of China from the oldest hereditary autocracy to a constitutional, representative democracy must require, have foolishly tried to force the pace of reform and change in China. They have failed, as was to be expected, but the responsibility for their rash and foolish actions must partly rest on us, who have not always recognized the full extent of our self-assumed duty in educating Chinese who were all to become important factors in the upbuilding of their country, and who have often, both in our public press and elsewhere, given encouragement to the mad schemes and impossible theories of these misguided and trusting enthusiasts.

A serious responsibility also rests on us as regards those who, trained under our guidance, have attained eminence in public or business life; our interest in them cannot cease when they leave our colleges. If we would discharge faithfully our trust we must follow them in after life so that they may always feel that friendly assistance and honest, impartial advice or criticism is sure to be found and given whenever they require it or whenever we think they should have it.

China in confiding to us the education of an ever increasing number of her youth has believed in the genuineness of our promise, in our willingness to discharge our trust to the full. She looks to us to teach her youth to be sane, useful men and to steer them clear of the pitfalls of democracy, the vaporings of doctrinaires, and not to withdraw our interest from them in after life, but to encourage and give our constant moral support to them and their country in its efforts to follow the paths we have shown them.

I have endeavored to touch on some of the most salient features of our relations with China; there is nothing to be particularly ashamed of in them, though we have not always been fair in our dealings with her. Our trade has greatly increased as years have rolled by, though this increase has not been maintained as it might have been if we had continuity in our foreign policy and realized to the full our great opportunities, with, of course, accompanying responsibilities, which we have in the Pacific in drawing closer and closer our relations with both China and Japan. It is to assist in the attainment of this end that the Asiatic Institute was founded; may it accomplish to the full its great and patriotic object.

Mr. Frederick McCormick spoke as follows:

What has been said to-night suggests to me the importance of a consideration of history in reference to the affairs of the Pacific Basin as the field of our most important future affairs and the field of work of this Institute. I would like to call your attention to some cardinal facts to show the positions of nations and races of the two civilizations there. In doing so I will endeavor to express the

spirit of the Asiatic Institute and show those things with which it concerns itself.

The Pacific was first swept over by the explorers: Portuguese, Dutch, Spanish, English, French, Russians and Americans. Then by the maritime adventurers and traders of Western countries who, as carriers in commerce, were totally eclipsed by Americans of the young republic. It was at this time—the middle of the nineteenth century—that many British prophets predicted the military conquest in the not distant future of the lands west of the United States and in East Asia by the fleets and armies of the United States sweeping over the vast area of the whole Pacific Basin—an image which was the reflection of our sailing ship conquest.

But the powers of a more military character than we, led by Great Britain, conquered the Pacific, and today it is not too much to say that the military command of the Pacific now passes to the control of an European-military-trained Asiatic power that has developed since the British prophecy, through our initiative and largely by our support. The whole Pacific Basin, as we sit here, is roved over and its remotest corners ransacked by the ships of a nation then unthought of except by students, and which enlists among its allies those nations in whose control doubtless is the future of the world—Great Britain, France, Russia and their associates and supporters. In the resolution of questions arising from the contact of the two civilizations in the Pacific, Europe has outclassed and outdistanced us. It is in advance of us in the understanding of the questions there which affect all our interests.

This contact of the two civilizations on both the west and east frontiers of Asia have had epochal effect, causing two great Asiatic expansions. The first was the Asiatic expansion of the thirteenth and fourteenth centuries into Europe. In magnitude it has been described as costing possibly 18,000,000 lives. The second Asiatic expansion is that of the nineteenth and twentieth centuries. It has been an expansion for study, commerce, and territorial and political aggrandizement and influence, and already it embraces ten wars. The Asiatic races have spread themselves thinly but universally over the Pacific and its lands, penetrating to all the Americas and to Europe, exactly as Europeans first spread to Asiatic and Pacific regions.

The question follows: Where are we, and where have we been since the prophecy of the British? Our conquest was only commercial and educational, and we have left to us only the educational and benevolent. The chief factor on our west is Japan, as she is the chief factor in Asiatic expansion. Japan disputes with all, the present and the future of those affairs of the two civilizations—affairs which affect us more largely than any other nation of Western civilization. The striking evidence of this and its meaning is shown by the series of declarations and assurances which Japan has addressed to the Government and people of the United States respecting participation in the European war in the Pacific, disclaiming intentions of aggrandizement and defining the causes of her participation.

Japan, as the leader of Asiatic expansion, which is the great question of the Pacific Basin, may be defined in the terms of her expansion: 1871, fearing Russian aggression in Yezzo, she began colonization there; 1874, she induced China to relinquish claims to the Loochoo kingdom on her other extremity; 1875, she exchanged half of Saghalin to Russia for the Southern Kuriles—on the northern extremity again; 1876, added the Bonin Islands which had been claimed by many, including ourselves; 1879, annexed the Loochoo kingdom; 1895, added Formosa and the Pescadores; 1905, recovered the southern half of Saghalin and occupied Port Arthur and the Kwangtung leased territory; 1910, annexed Korea, and 1914 captured Jaluit dominating the Marshall and Caroline Islands, and also Kiaochou. A rapid transformation of the Pacific and its affairs is going on and it is this transformation and its consequences, and their concern to us, that is the business of the Asiatic Institute.

Among the assets of our past activities and enterprise in the Pacific is an Asiatic Republicanism. It is this that is really the subject of my remarks. Mr. Rockhill has said that in China there remains to us the rôle of guide, philosopher and friend. If we can be the guides and teachers of East Asia we need not be so apprehensive of the consequences of expansion and the conquests by military and other physical forces going on in the Pacific Basin. In the present circumstances we have at least reason to be proud of one fact, that among the advisers to the President of China we are represented by Mr. Rockhill, who, of Americans, is the most eminent in his connection with and knowledge of Asiatic affairs, and in some respects the most eminent in the world.

Mr. Martin Egan, dealing with the question of the Philippines, said: To me the chief problem and handicap in our treatment of the Philippines is our failure to divorce the islands from our partisan politics. When they came under our administrative care there was raised a great partisan issue and ever since, in one form or other, they have been under political blight. As a nation we seem unable to regard them except through political glasses. Their possession and their administration bring home to the nation a grave responsibility, responsibility that involves our honor, and should spur us to most thoughtful and careful effort in their behalf. But it seems impossible to arouse any considerable fraction of our people to a realization of the importance of our engagement at Manila. Something has been said here to-night in a tone the reverse of hopeful, as to our immediate future in the Far East, and, much that I regret it, I am for the first time aligning myself with the pessimists.

It seems to me that our purpose in the Pacific lacks coherency, if indeed we have any well-defined purpose in that great basin. We border the western ocean from Siberia to Mexico and line its center from Hawaii to Borneo. On that ocean there will be duplicated all that has been done upon the Atlantic. We are in growing contact there with a majority of the human family and yet as a nation we have not thought seriously or clearly or continuously as to the relationship. The people of our Pacific states, whose interest is the more direct, should furnish us the basis for an intelligent policy, but they have been diverted by the irritation of Chinese and Japanese immigration. To them the great Orient presents chiefly a local labor and social problem and it is the trade unionist and the politician who are their chief spokesmen. Some of our western men have the larger vision—but the smaller voices.

Our people have done more national thinking in the last ninety days than they had done in the previous ninety years. The war defined their position and their power and their interdependence with the other great commercial powers with a clarity and sharpness that they never saw before. Japan followed her attack upon Tsingtao by siezing islands that partly surround the Philippines, thus spreading the area of war and laying the foundation for the complete recasting of the old status and relationship in the Far East and South Pacific. But even those dramatic events have not served to arouse our people as a whole to the Pacific question. I speak with no unfriendly feeling for Japan and for no sentiment that would be hostile to that country. My hope for our people in that great region lies along peaceful lines.

It is ordinarily the business of trained and sustained diplomacy to shape such policies but our political system does not admit of such a service. I have one hope for fair and reasonable treatment for the Philippines. The

missioners of the Christian church have been going to the East for several centuries. They have widely influenced the thought, the politics, the political systems, the schools and the social customs of many oriental lands but they have converted only one race—the Filipinos. This Christian people has passed under our care and our people will not permit any political party to deal unfairly with the Philippines.

The American people are in the Pacific and ought to treat their great relationship to it and its peoples with intelligence and foresight. But I know of no means by which they can be aroused either to realization or to action. Maybe this Institute can claim and direct their attention. If it can, it deserves the gratitude of the nation. Maybe our colleges, possibly our united commercial organizations can achieve the desired result. At this moment our people are not informed and consequently are without national interest. Idle talk of conflict with Japan stirs some of them now and then but apathy is their ordinary condition.

"WHY INDIA HOUSE?"

India House, the new exporters' and importers' club whose character and purpose were fully set forth in the October number of the JOURNAL was formally opened on Monday, November 16, a day which will be also memorable as marking the beginning of the actual business history of the Federal Reserve Banks, and the reopening, after a closed period of three months and a half, of the New York Cotton Exchange.

The title adopted for the new club is frequently a subject of curious inquiry, and as a brief reply to the question "Why India House?" the following is submitted by the Secretary of the American Asiatic Association:

"Briefly, because for centuries to men of our race, as to men of other races, 'India' and the 'Indies' stood for all that was greatest, boldest, most alluring and most profitable in commerce. In older times, remember that it was foreign trade only that was dignified by the name of commerce, domestic buying and selling being merely business. Remember, too, that it was the century that saw the intellectual awakening of Europe—the new birth of art and letters—that also witnessed the discovery of the Eastern route to the Indies by way of the Cape of Good Hope, and in which Columbus stumbled on America in seeking the Western route to that older and more spacious world the fame of whose surpassing riches had stirred the imagination of adventurous navigators and traders for long generations before.

"To the Elizabethans, true children of the Renaissance, the Indies, East and West, were a synonym for all that was rare and precious, and the names were constantly at the end of their tongue and pen. Shakespeare, the greatest of them all, rung many changes on the wealth of India and the Indies. The dutiful *Mortimer* describes his father-in-law, *Glendower,* as being 'valiant as a lion, and wondrous affable, and as bountiful as mines of India.' *Falstaff* chuckles most unctuously over the idea of making Mrs. Page and Mrs. Ford serve as his East and West Indies, and he bids his boy, bearing his letters to these supposedly amorous dames, 'sail like my pinnace to these golden shores.' An appreciative observer of the nuptial pageant of Henry VIII. and Anne Bullen observes that 'Our King has all the Indies in his arms, and more and richer when he strains that lady.' *Antonio, the Merchant of Venice,* has an argosy bound to Tripolis, another to the Indies, and we have a hint of the enlargement that the world had undergone through the voyages of Columbus when *Maria* says of *Malvolio* that 'he doth smile his face into more lines than is in the new map with the augmentation of the Indies.'

"It was not long before any place to which a profitable voyage could be made came to be known as the Indies, and it was a natural sequence that they should also have included Far Cathay. It happens to have been with Cathay that the foreign trade of these United States first began, and when we start to adorn this house with historic frescoes surely the first must be the sailing from the Port of New York on Washington's birthday, 1784, of the good ship 'Empress of China,' 360 tons carpenter's measurement, for the Port of Canton. Here you have, already hanging on these walls and dependent from these ceilings, eloquent reminders of the time when American ships were the carriers of the world. Here, too, you may trace the evolution of the American clipper which made the old leisurely India and China voyage a thing of the past. I think we have a picture of the 'Sovereign of the Seas' that covered the distance between Hongkong and New York in 90 days, and we have certainly a fair gallery of the ocean greyhounds of the 50s. You may conjure romance from these walls, and you may also derive from the story they tell inspiration for a greater, broader, more prosperous future for American shipping and American commerce. They have in Salem the original home of the romance of the old sea-faring life of the United States. These ships and sailors of old Salem did much to open for us the markets of the Indies, of China and Japan. The East India Marine Hall of Salem is the abode of great memories; this India House is to be the home of new achievement. There is an old Spanish proverb, quoted by Dr. Johnson 150 years ago, to the effect that 'he who would bring home the wealth of the Indies must carry the wealth of the Indies with him.' That is ancient sense as well as modern wisdom, and the fact that there is not a man among us who fails to grasp its significance, is perhaps the best assurance I can offer that the high expectations of the founders of India House will not fail to be realized."

JOHN FOORD.

MEETING OF THE TSAN CHENG YUAN
(SPEECHES)

THE TSAN CHENG YUAN. INTERPELLATION REGARDING JAPANESE ACTION IN SHANTUNG.

The Tsan Cheng Yuan held its fifteenth sitting on the 2d October at 2.50 P. M. The meeting was presided over by the chairman, General Li Yuan-hung.

Mr. Liang Ch'i-ch'iao moved that in accordance with the provisions made in the 8th clause of the 31st Article of the Constitutional Compact an interpellation be addressed to the Government regarding the actions of Japan in Shantung. Upon the authority of the Legislature an answer should be demanded from the President. It is hereby moved that the programme of the day be altered to discuss this most urgent problem. The motion was seconded by five other Tsan Cheng, and unanimously carried.

MR. LIANG CH'I-CH'IAO'S SPEECH.

At the request of Wang Chia-hsiang, Mr. Liang Ch'i-ch'iao delivered the following speech:

After the outbreak of the great European War the President at once assembled all the Tsan Cheng at his residence and gave a detailed report on the circumstances. Although some points in the President's report were not satisfactory, on account of the present situation of China, and the skill in management shown by the Government to cope with its difficulties the Government might be considered to have done all that was possible, therefore the report was unanimously passed. However, from our observation of what has passed in the last few days, we feel that the confidence expressed in the said report is rather unreliable. The future is therefore gloomy, and the change wrought in the past twenty days is sufficient to show the fact that the future will be unthinkable. On account of the necessity of strict secrecy in connection with diplomatic affairs it is natural that many things should have been kept secret from the public. In view of the intense indignation existing among the people of the country, this Yuan, as representing the people of this country, deems it absolutely necessary to show the Government their points of doubt and their expectations of the Government under such circumstances, and respectfully to demand a reply from the President.

According to my opinion, there are many points which require explanation from the Government, but in order to be concise, let me dwell on the following most important points.

The first notifications of the Waichiaopu fixing the war zone. Three times the Waichiaopu sent out notifications, first, the declaration of neutrality; then the declaration of partial neutrality owing to war operations of Japan and Germany in Shantung; and then the declaration of the extension of the war zone to Lungkow and Laichow when Japanese troops were landed there. It is possible that the text of the declaration sent to the belligerent Powers by the Waichiaopu was not very definite in terms, but we think that it would have been absurd if the Waichiaopu should have failed to give despatches or verbal statements to belligerents regarding the same, so that some definite proof may be had. It is now generally known that the Japanese troops have not acted in accordance with the limits set. A few days ago the railway station of Weihsien was occupied by them. Let us look at the reports of the foreign and Chinese newspapers. It is recorded in the *Shun Tien Shih Pao* that a special telegram was received from Tsinan to the effect that the Japanese residents there were preparing for a reception (to Japanese troops) for the capture of the Kioachau-Tsinan Railway. In the *Peking Gazette* it is stated that the Japanese Minister has in his private capacity informed the Waichiaopu to the effect that Japan is going to occupy the whole Kiaochau-Tsinan Railway. Although these are reports of newspapers, it must be borne in mind that the former is the organ of a party which is known to every man; the latter paper has an Englishman for editor, therefore the reports contained in that paper cannot be mere forgeries. Again, according to reports received from various quarters, the Japanese troops have been all the time marching towards the west, where not a single German soldier could be found. Therefore the reason must be found why the Japanese troops have been marching to the west of Weihsien instead of towards their objective, Tsingtau. Geographically speaking, the Japanese troops should march towards Kiaochau through Pingtu after landing at Lungkow and Laichow, thus reaching their destination without any obstacle from German troops. When the Waichiaopu sent out its notification it only gave consent to the Japanese troops to move between Laichow and Lungkow, and does not the Waichiaopu now notice that the Japanese troops have marched to places which have not been included in the fighting zone? Judging from the action of the Japanese troops, it is not Kiaochau alone which they have set their mind on, but they are going to convert Shantung province into their military base of operations, making it a second Three Eastern Provinces. He who runs may read the intentions of the Japanese. As our Government had sent to the Japanese authorities the notification beforehand limiting the war zone, has the Government lodged any protest in the Japanese Legation?

The Responsibility of Great Britain. Japan has more troops marching to Kiaochau, but being an ally of Great Britain, the movements of the Japanese troops in Shantung must have first been arranged with the British authorities. Hence regarding the actions of the Japanese troops in Shantung, Great Britain must share the responsibility. It must be remembered that the cause which actuated Great Britain to take up arms in Europe, was respect for the neutrality of Belgium. When the British Premier made a speech in Parliament about the war, he said that there were no other reasons for the British nation to take part in the war than to enforce respect for international law, the cause of humanity and the civilization of the world. We Chinese have hitherto admired Great Britain for her principles, and we have admired her more on account of her recent actions in the war. Unfortunately, Britain has held to the above principle in Europe, but has not done so in the Far East. In Shantung the allied army has done everything to break the neutrality declared by our nation. We have failed to find out the cause why her attitude towards China has been so contradictory to that she maintained towards the European nations. When our Government lodged a protest in the Japanese Legation did we also lodge a similar protest in the British Legation?

With regard to the lawlessness practiced by the Japanese troops in Shantung, the Government has already received a joint petition from the natives there. We hesitated to believe all the atrocities and so forth, because we thought that Japan claimed to be a civilized nation; but in the petition the names and addresses of the persons who were murdered or injured have been plainly set forth. The

circumstances of molestation have been minutely described, and does our Government take notice of them? We wonder whether these most pitiable appeals embodied in this petition have reached the ears of the Government. It may be said that a little loss to the inhabitants in the fighting zone does not matter much; but the point we want to emphasize is that such lawless actions are open defiance to the authority and rights of our Government. Should they consider us as their equals they would not have done so. It is therefore imperative for the Government to find out the real intention of the British and Japanese allied army, when they have indulged in atrocities. It will be remembered that last year when we were engaged in the suppression of internal rebellion, and when a few Japanese ventured into the fighting area and were accidentally killed, the Japanese Minister demanded that the commanders of the regiment be disgraced and our most respectable troops submitted to the humiliation of making apologies. We are not going to remember our former grievance, but what we want to say is that Japan would not act lawlessly if she had any respect for our nationality. As the Government has the responsibility to protect the life of the people, it should make a protest against such actions. Has the Government made any decision regarding this matter?

Japanese Military Notes. Great amounts of military notes have been issued by the Japanese army in Shantung. According to usage during the time of war a belligerent nation may exercise temporary control over the places occupied, and issue temporary paper money. But with the case of Japanese troops in Shantung the Japanese have only the right to pass our territory on account of the circumstances. What right have they to force so large an amount of paper money into our market? Who knows when these paper notes will be allowed to exchange for ready money? During the time of the Russo-Japanese War an amount of $50,000,000 of such paper money was circulated in the market of Fengtien by the Japanese military authorities, and these notes were only exchanged for the notes of Yokohama Specie Bank instead of ready money. Therefore the influx of Japanese military notes will do great harm to Shantung, making the prices of articles much dearer than before, and causing great consternation in the market. Does the Government approve such actions?

The above are a few points which have roused the indignation of the people. People may say that on account of weakness we have to bear these things patiently; but the persons who represent the powers that he should not adopt such an attitude as they are the persons responsible for all these troubles. In conclusion, Mr. Liang said that "according to my opinion the first thing we should do is to address an interpellation to the Government demanding an immediate reply, and at the same time this House should offer suggestions to the Government, rendering all assistance we can. It is necessary that a protest should be addressed to the Japanese authorities, but we have entertained greater doubts regarding the action of the Great Britain, which has adopted a very different policy between the neutrality of Belgium and that of China. Why has our Government not yet made any protest to Great Britain? The interpellation should show that the House, in its capacity as the representatives of the people, is perfectly willing to take any responsibility. Should the Government recognize its responsibility, this House will render all assistance required. If the Government should adopt an indifferent attitude, this House though acting as representatives of the people, will not be able to effect anything. This is my opinion, and should my fellow Tsan Cheng have the same feeling, we should proceed to frame the interpellation and consider the suggestions."

Mr. Liang's long speech was greeted with frequent applause.

GENERAL TSAI AO'S SPEECH.

Upon the opinion of the members regarding the draft of interpellation being called for, General Tsai Ao said that the interpellation contained all questions put to the Government regarding the present diplomatic dealings. It must not be forgotten that all diplomatic dealings of the nation must be backed by military powers, otherwise there will be no good result. With regard to the case of Tsingtau, the attitude of Japan is known to everybody. She wants to enforce her continental policy, which has been cherished for the last twenty years. Japan is confined by sea from every side, therefore in order to get room for extension she must adopt an aggressive policy. Accordingly, her object is to swallow up China. The first master-stroke dealt to this country by her was the occupation of Formosa, and at that time she was reluctantly obliged to give up Liaotung at the request of Russia, France and Germany. The second master-stroke was the occupation of Southern Manchuria, which, though it nominally belongs to China, is in fact Japanese territory. Now the third master-stroke is to seize the rare opportunity for the occupation of Kiaochau-Tsinan Railway. When the war is over she will include the control of the northern Tientsin-Pukow Railway by Japan in the Treaty of Peace. With so great an aggressive desire wherever there are Japanese troops stationed the place will become another Eastern Provinces. Moreover, the war in Europe will drag on for a long period of at least one or two years, therefore the Japanese would like to act freely during this busy time. In view of the above what should our country do? Now the balance to power in the Far East will exist no longer, and the only nation which can play a check to the ambition of Japan is the United States. The United States have a much superior navy to that of Japan, and they have a large army of men; but their army has to be distributed in Mexico, the Philippines, etc. Nor have they a good harbor in the East. If Japan should land 300,000 men in China before the influence of the United States reaches there, China will be conquered. Should the United States then try to come to help China, they will be of very little use. It is therefore idle to look to the United States for assistance in our present diplomatic intercourse with Japan. The situation of China to-day is tenfold more critical than at the time of the Boxer rising, Russo-Japanese War, or the Revolution. If nothing can be had from diplomatic intercourse, we are then thrown upon our own resources. Of course, there is not the least objection to the draft of the interpellation; but we should also like to know what provisions have the Government made regarding the military and financial affairs of the nation? What would the Government do if the Japanese should try to convert Shantung into another Three Eastern Provinces? At this most critical juncture of the nation, unless the hearts of the people of the country be bound together in one accord to effect the national salvation, there will be no hope. Therefore we want to know what the Government has decided to do in connection with the above points.

GENERAL HSU'S SPEECH.

General Hsu Hsao-cheng then spoke as follows:

I fully agree with the view of General Tsai Ao. This is indeed a day of life and death to China. Since the year 1894 Japan has been entertaining the ambition of swallowing up China. What enabled China to remain until this day has been the counterbalancing and counterchecking influence of the Powers and not the successful workings of Chinese diplomats. But this factor is no longer reliable at the present moment because the effects of the European war are world-shocking and the losses and destructions

to the different Powers are beyond imagination. The defeated nation naturally has no strength to cope with the affairs of China, but the victorious nations, being pressed by the affairs of their own countries, also have not sufficient strength to pay attention to Chinese affairs at once. The European Powers will surely incur enormous expenses for the war, and in consequence someone is bound to be in an exceedingly difficult financial condition. The so-called counter-balancing and counter-checking influence will just as surely disappear. Under such circumstances Japan has an excellent opportunity to fulfill her wild ambition. Therefore, to China this day is the most critical and most dangerous. What we fear is not only the occupation of the Kiaochau-Tsinan Railway and its consequent occupation of Shantung, but also the safety of the whole of China will be threatened. The Government, which carries the important responsibilities of the nation for the citizens, carries also an immense personal responsibility. It is its unshakable duty to plan for the safety of the citizens. The view expressed by General Tsai Ao that the people, high and low, should be one in mind, is truly an important point. I presume the Government must have definite views regarding the points emphasized in this interpellation, but it is also the duty of this Yuan to supply the Government with what we know to be helpful in saving the dangerous situation. May this be the last Interpellation.

MR. CHAO WEI-HSI'S SPEECH.

Mr. Chao Wei-hsi then rose and delivered the following speech: I endorse the interpellation because I believe that the principal support to diplomacy is military strength and national spirit. Indeed, we have nothing to fall back on as far as military strength is concerned, but we have ample national spirit to rely upon. Formerly we were defeated in war because the people had no patriotism, but now the patriotic spirit of the people has made quick strides. This fact is amply proved by the successful issue of the Domestic Loan. When it was first proposed those who knew very little of the real conditions predicted that it would be a failure. At that time I declared that it would be a success, and lo, the whole amount was subscribed for before one month had elapsed. This is only looking at the situation so far as China is concerned. Now let us look at Japan. Japan is a small country of three islands. Within twenty years, however, it has three times plunged into war. The Chinese proverb says, "Warfare is like fire; if not extinguished it will burn you." Napoleon, though winning victory after victory, finally was defeated at Waterloo. This shows that military strength, when overtaxed, becomes unstable. Japan secured financial recuperation, after the 1894 war, from the indemnity paid by China; but the Russo-Japanese war was a serious financial loss to Japan. Her soldiers have become arrogant, and arrogance is bound to result in defeat. With the national spirit of China of the present day I don't see wherein we lack hold of the situation if compared with Japan. I fully agree with what General Tsai Ao said about a nation's asset in self-maintenance. But in order to be independent we must have the means to achieve it. I am a simple student and not an expert of military affairs, but I know a few military principles. The means to achieve independence is to be willing to sacrifice one's life. In the event of final severance of diplomatic relations I am willing to sacrifice my life though it may be of little value. As all of us are earnestly patriotic I predict there would not be a single person who is not willing to sacrifice his life. Let us carefully consider the steps we are going to take after the presentation of the interpellation, so that one day China may become strong. The population of China is ten times that of Japan. If everyone is patriotic and unwilling to become slaves and beasts of burden, who shall say we, a big nation, are unfit to be independent and incapable of independence? Death would be sweeter than to be humiliated by Japan (applause).

STRENGTH AND DIPLOMACY.

Mr. Wang Yi-tang then said: Mr. Tsai has spoken well. What I wish to ask is about our diplomacy but diplomacy must have military strength as its reserve support. Whether the question of military affairs should be included in the same or a separate interpellation we must carefully consider. Mr. Chao's words are indeed soul stirring and stimulating, but my idea is that we should present the interpellation as it is without any addition and only discuss it after we receive the reply of the Government.

Mr. Wang Yin-chuan spoke to the following effect: The interpellation as presented by Mr. Liang contains important points, but what Mr. Tsai said is of even more importance. Because military strength and financial ability are two mainstays of diplomacy. Unless we stand on sound ground in these two things we will meet with disaster. The result of a disaster after so many disasters would be indeed disastrous. Now Japan has already captured the Kiaochau-Tsinan Railway though situated in neutral territory, as a war prize. If this action is right then what else cannot be held as a war prize? To hold a place on the world we need to have a permanent goal, but under the present urgent situation long and permanent schemes are not suitable to save the emergency. We have, therefore, to look for a method that will save us for the moment. Although our military strength is not so efficient as that of the foreign countries when we are hard pressed by a powerful neighbor it would be better to make a last effort than to sit down to wait for the inevitable death. If we fight we may be vanquished; if we do not fight we will also be vanquished, but our name will be preserved if we are vanquished after we have fought. However, it is necessary to make the necessary preparations before we can say that we will stake everything. What have we to stake if we make no preparations? Military efficiency is of course the first consideration, but in order to make military strength achieve success we need to have adequate financial support. The question of finance, therefore, must receive our serious attention. And if we are to succeed in this instance we must use the citizens' patriotism to a good purpose. It is truly important that we should lodge an interpellation, but we must not forget that it behooves us to be of one mind and soul at this life and death moment.

Mr. Wang Yu-lin then rose and brought the meeting to a close by suggesting that the interpellation should be presented as it was and a special meeting be held on the next day (Sunday) to discuss the necessary military and financial preparations to be made. The suggestion was loudly approved by the members. The Chairman then put the original interpellation to vote. It was unanimously passed.

THE PEKING COUNCIL AND JAPAN

From the Correspondent N. C. Daily News.

PEKING, October 4.

In a letter which I posted you yesterday I summarized the sentiments expressed by several of the members of the Council of State—the body now acting in Peking in place of the as yet uncreated Lifayuan, or Legative Chamber, and herewith I give you a translation of the lengthy interpellation sent by the Council to the President.

As I suggested in a telegram to you to-day the jingoistic activities of certain members of this august body must not be invested with too much importance. This is undoubtedly a serious period in the history of the country and rightly or wrongly Chinese citizens hold the view that they are about to see large slices of territory filched from them by a nation which they regard with the utmost suspicion and distrust. The Chinese cannot be blamed for remembering Korea and Manchuria; and permitting them the right not to forget incidents such as these, it is only just to accede to them the privilege of liberty of speech to express their individual or collective opinions.

It must be acknowledged that the Chinese Government is in a very delicate position, inasmuch as it is deplorably weak on the one hand, and on the other it is faced by circumstances which give its internal enemies a potential weapon wherewith to assail it.

THE COUNCIL'S OPPORTUNITY.

Its Foreign Office is laboring unceasingly to extricate the country from the difficulty now confronting it without loss of "face," and without slipping the leash of the dogs of war by carelessness or accident, knowing full well that whatever befalls, it is bound to be castigated by *soi-disant* patriots who hurl allegations of supineness if Japan is not greeted with force and who curse it for incapacity if bloodshed is caused. And the Foreign Office is the first organ of government attacked by the jingoes of the National Council—but attacked, it is fairly certain, with the tongue in the cheek.

The apparent righteous indignation of the Council of State may be ascribed primarily to a desire to demonstrate to the people that in a time of crisis like the present the Council really does represent them. There has always been considerable doubt about this. It will be remembered that the body was created solely by the President, and that its usefulness was challenged at the outset. It could not, then, afford to miss this opportunity. To remain silent at this moment would be the height of folly, and would undoubtedly stir the people of the country to demand, in no mistaken voice, the creation of a Parliament with powers sufficient to enable it to safeguard national interests. By rising to its feet and flinging whys and wherefores at the Foreign Office through the President the Council is able to fool the populace, fool itself that it is a force, and avert the disgrace that it stood by when the nation was threatened and permitted opportunities for voicing the thoughts of the people in high places to slip heedlessly by. For that reason its banging of the big drum of bombast must not be taken too seriously.

GENERALS AWARE OF FACTS.

The "generals" who spoke of fight know full well that China is not in a position to fight half a dozen "White Wolves," to say nothing of half that number of Japanese army corps, though in their ardor to exhibit a courageous front there is some danger that their fiery philippics against Japan might be taken seriously by injudicious soldiery now in Shantung and thus precipitate a conflict. The "generals" also knew while they were talking that the Government was actively engaged in developing with the Japanese a scheme for the control of the railway, and I am told that an understanding has been arrived at satisfactory to both sides. An arrangement has been come to, it is said, on a basis whereby the Japanese will control the line, and the Chinese will administer the traffic, Japanese conductors or railway guards being employed on the trains. If this has been done, all the pother has been overcome, and we shall hear no more of the apparently intense desire of the Council of State for forcible action against Japan. The following is the Interpellation as sent to the President:

WHEN WAR BEGAN.

"Upon the outbreak of the European war our country declared strict neutrality in accordance with the usages of International Law. Unfortunately the Tsingtao question came up, and neutrality could not be wholly observed, the Ministry of Foreign Affairs was forced to extend a zone for the operations of the belligerents. This action by the Ministry of Foreign Affairs raised anxiety among the people, and the President summoned all the members of this State Council. His Excellency explained the difficulties of the situation, advised the people to be patient and bear the humiliation bravely, and assured the members that the Government would do its best to meet the situation. We, the members of this Council, thought that the diplomatic officials of the Government could appreciate the President's wishes to maintain friendly relations with foreign countries, and, at the same time, uphold the honor of our country and carry on negotiations with the belligerents in a satisfactory manner. But during the recent ten days the reports from Shantung caused great uneasiness and astonishment among us.

OCCUPATION OF THE RAILWAY.

"First, we hear that the Japanese troops have occupied the railway station at Weihsien, and moreover they are moving westward. Now, the proclamation issued by the Ministry of Foreign Affairs limits the fighting zone at Lungkow, Laichow, and the immediate vicinity of Kiaochou Bay, which forms the region necessary for the war operations. But Weihsien is 400 li distant from Kiaochou, and it is a place which is not necessary for the use of the troops. It is also clear that it is a place which is entirely

neutral. We understand that the Japanese Minister has acknowledged the proclamation of the Minister of Foreign Affairs as satisfactory to them, but now the Japanese have acted contrary to their words. Our Government addressed a protest to the Japanese Government, and what has the Japanese Government replied? If the Japanese Government does not reply, or if the reply is not satisfactory, or if they fail to carry out the promise contained in the reply what preparations have our Government made to deal with the Japanese? Please explain this point to us so that the doubts of the people can be cleared up.

GERMAN AND CHINESE RIGHTS.

"Secondly, the *Shuntien Jihpao* stated that a telegram from Tsinanfu says the Japanese residents at Tsinanfu are making preparations to welcome the Eighth Regiment of Japanese troops because the said regiment would soon be in Tsinanfu. The *Peking Daily News* also stated that the Japanese Minister has notified the Minister of Foreign Affairs that the Japanese would occupy the Tsinanfu-Tsingtao railway. Are these reports true? Since the object of the Japanese operations is Tsingtao, why should the Japanese troops go westward and penetrate into the regions of Tsinanfu and Tsingchow? Has our Government noticed such movements of the Japanese troops and has a protest been lodged with the Japanese Government? The Tsinanfu-Tsingtao railway is a commercial concern and the Chinese merchants have a large amount of shares in the company. How can we allow this railway to be taken as a trophy by the Japanese? Even supposing that this railway be the property of the German Government, let us ask, is it proper for Japan to seize it? Is it proper for Japan to seize all the German settlements in China, or the disarmed men-of-war, or the contraband that has been interned? If that is deemed proper, then every one of the following countries, Great Britain, Russia, France, Germany, Austria, Belgium, may take independent action in the territory of China. Do the Japanese consider such action as respecting China's neutrality? Is it not a violation of neutrality? Has our Government secured a reliable guarantee from the Japanese Government to the effect that their troops would not again indulge in such actions? If the Japanese troops repeat such actions, what will our Government do to deal with them?

BRITISH CARE FOR NEUTRALITY.

"Thirdly, Great Britain declared war upon Germany because she wanted to respect the neutrality of Belgium and she sacrificed money and life because of this principle. Now, in attacking Tsingtao, Great Britain joined forces with Japan. The Japanese Government declared to their Parliament that the Japanese Government consulted first with England and then declared war. Therefore, in all the actions Great Britain must bear a share of the responsibilities. How is it that Great Britain is exerting her utmost to respect international law and observe the neutrality of Belgium while thus in company with Japan violating neutrality in China? Has our Government addressed a protest to the British Government, and what have been the negotiations in this connection?

ATROCITIES IN SHANTUNG.

"Fourthly, wherever the Japanese troops go they often kill innocent Chinese people and outrage their women. We the members of this Council have always regarded Japan as a civilized nation and refused at first to believe in such news, but we have read the petitions of the people of Shantung who have suffered at the hands of the Japanese troops, and the names, ages, and the detailed circumstances of the outrages are clearly set down, which prove that all this news is true. Has our Government made investigations? Have we asked the Japanese to give justice? Some people may say that such occurrences are merely accidents due to the carelessness of troops and need not be considered seriously. We do not concur in this view when we recollect the experiences we had last year at Nanking. When the Nanking rebellion was raging the Japanese merchants rushed into the fighting line and were shot by stray bullets. The Japanese Government insisted upon us undergoing great humiliation. Our Government has treated Japan very well by allowing the landing of troops and we expected fair treatment from them, but the Japanese troops acted contrary to our expectations. Has our Government taken up this matter, and demanded reparation so that the anger of our people and military can be calmed?

MILITARY NOTES.

"Fifthly, we hear that the Japanese troops are issuing military notes wherever they go. What right has Japan to issue such unstable currency forcibly in our territory? If the Japanese contend that such notes can be converted into silver, let us ask where is the silver? And when may we exchange these notes? We recollect that during the Russo-Japanese war the Japanese issued large amounts in Mukden. Afterwards such military notes were converted not into silver but were exchanged for notes issued by the Yokohama Specie Bank. At present there are several tens of millions of Yokohama Specie Bank notes in Manchuria and not a single military note was exchanged for silver, so in reality they issued inconvertible notes in our territory and the direct outcome was the forcing up of the prices of all commodities and the causing of economical disturbances. We have sustained the deepest suffering on this account, and the evils are still existing. The Japanese are now repeating this action in Shantung. Did the Japanese notify our Government before they issued such military notes, and after their issue has our Government asked for explanations? In the opinion of the members of this Council our Government should deal severely with the Japanese and insist that Japanese troops should buy commodities with silver. If they refuse to do this on the pretext that it is inconvenient to transport silver from place to place, we should insist that a definite number of military notes to be circulated must be arranged, and the equivalent value of these notes in silver should be handed over to our Government as a guarantee that these notes will be converted. Then on that condition alone we should allow them to issue military notes.

POPULAR INDIGNATION.

"The people of the whole country are in great terror and uneasiness because of the above related circumstances, and wish to be enlightened regarding them. Recently the people and the military of the various provinces have become indignant and feel unhappy because our diplomatic actions are not satisfactory, and are in constant fear that their nation will be destroyed. The people were driven to despair and organized Dare-to-Die societies to avert national danger; others started movements to boycott Japanese goods and take steps to wreak vengeance. Men of better knowledge are doing their best to restrain such excessive actions and comparative calm amongst the people is only secured after the intelligent people have exerted their utmost.

"If our diplomatic officials cannot guarantee to the people in an unmistakable manner that the national prestige will be strictly safeguarded, then great anger will be aroused among the people. If any untoward occurrence happens, what can we do to smooth over the situation? This Council is acting in the capacity of the Lifayuan, or Legislative Chamber, and is an organ which represents the opinion of the people, and we cannot be silent when such things are going on. In accordance with Clause 8 of Article 31 of the Provisional Constitution and Article 39 of the Regulations of the Council we respectfully ask your Excellency the President to reply to the above five questions. This communication is to the President."

OUR COMMERCIAL FUTURE IN CHINA

Of China it may be said, probably with greater accuracy than of any other nation, that it is in its commercial infancy. During the year 1913 the Chinese imported foreign goods to the value of $1 per capitum. The United States, in spite of its rich and varied home production, imported foreign goods to the value of $18.41 per capitum. A better idea of the relative insignificance of China's import trade may be gathered from a comparison with the per capita imports of a few European countries: For example, France imports foreign merchandise to the value of $40.11 a year, the United Kingdom to the value of $79.38 a year, and the Netherlands to the value of $236.40 a year.

China's imports in 1913 amounted to a total of $416,000,000. Of this amount the United States supplied 6.2 per cent., or a value slightly over $26,000,000. Japan, as a near neighbor, supplied a value of nearly $90,000,000. Germany's share was $20,000,000, Russia's $16,000,000, Belgium's $11,000,000, and that of France less than $4,000,000. Great Britain's share was by far the largest, but owing to the peculiar circumstances surrounding the trans-shipment of merchandise at Hong Kong, it is hard to estimate it closely. However, the direct shipments of Great Britain to China amounted in 1913 to over $70,000,000; the American Consul General at Shanghai estimates that 60 per cent. of Chinese imports through Hong Kong are British in origin, which would add approximately $48,000,000 more, or a total of over $118,000,000. In addition to this, there were imports from British India of $35,000,000, from the Crown Colony, Straits Settlements, of over $6,000,000, and from Canada of $1,000,000, a total of over $42,000,000. The total of Chinese imports under the British flag, therefore, amounted to not far from $165,000,000, or nearly 40 per cent. of the total value of Chinese imports in 1913.

The character of China's imports is not remarkably varied. The demands of her people have been fixed through many centuries, and the companies which have made notable progress in introducing new commodities have succeeded in doing so only through years of persistent effort, and large expenditures of money. The Standard Oil Company and the American Tobacco Company are the two instances most notable in the United States. Chinese imports of American kerosene in 1913 reached the value of nearly $10,500,000, and cigarette imports jumped from a value of less than $6,500,000 in 1912 to a value of over $9,000,000 in 1913, of which the United States supplied over 11 per cent.

The principal imports into China during 1913 were under the head of cotton goods. Opium, sugar, metals and kerosene were next in order. The list printed below shows in round figures all lines in which imports during that year reached a value of $5,000,000 or over.

LEADING IMPORTS INTO CHINA, 1913.

Cotton goods	$110,000,000	Fish	$10,000,000
Opium	29,000,000	Flour	8,000,000
Sugar	26,000,000	Coal	6,000,000
Metals	19,000,000	Paper	5,000,000
Kerosene	18,000,000	Leather	5,000,000
Rice	13,000,000	Clothing	5,000,000
Tobacco	12,000,000	Arms and ammunition	5,000,000
Dyes	12,000,000		

Obviously the United States would not be interested to enter the competitive field for all these leading items of the China trade. Opium is at once stricken out. We could hardly compete with the sugar producers of the Dutch East Indies or the Philippines. Germany has supplied 95 per cent. of the dyes. There are opportunities under many branches of the cotton goods trade, however; and several excellent opportunities exist in the less developed lines, such as, to take a few miscellaneous examples, paper, hosiery, clocks and watches, meats, and railway materials. The best and most recent technical summary of this subject is to be found in the report of Consul General Sammons, stationed at Shanghai, published in the Daily Consular Reports of the Department of Commerce, under date of November 7, 1914.

In the export field China, though a commercially young nation, showed a value for the year 1913 considerably below that of imports, the balance of trade having been against the country to the amount of $122,000,000. Of the total export value for the year of $294,000,000, the United States took $27,000,000; Japan, $53,000,000; Russia, $32,000,000; France, $29,000,000, and Germany, $12,000,000. It is notable that France purchased from China over seven dollars' worth of goods for each one dollar value of French goods sold to China. On the other hand, Great Britain, the largest seller to China, took in return only a value of $12,000,000 in direct purchases, plus a portion of the $85,000,000 of exports from China by way of Hong Kong. If Great Britain took 60 per cent. of Chinese exports to Hong Kong the total value of British purchases from China did not exceed $62,000,000.

The export figures of China show even more strikingly than do the import figures the comparatively undeveloped condition of the country. In 1913 Chinese exports were less than $0.80 per capitum, as compared with a per capita export average of $24.66 for the United States, $32.71 for France, $51.94 for the United Kingdom, and $203.69 for the Netherlands. Raw materials largely preponderate in China's list of exports. Manufacturing is being developed with considerable rapidity, and promises, both on account of the manual skill of the Chinese people, and the low cost of labor, to present a formidable front in the competition for the world's markets. During the year 1913, however, under the head of silk exports, manufactured goods, chiefly piece goods and pongees, reached a value of only $15,000,000 as compared with unmanufactured silk to the value of over $60,000,000. Silk and its manufactures are well in the lead of Chinese export values. The following table shows in round figures all lines in which exports in 1913 reached a value of $5,000,000 or over:

LEADING EXPORTS FROM CHINA, 1913.

Silk	$75,000,000	Metals and minerals	$10,000,000
Beans and bean cake	35,000,000	Oils, vegetable and essential	9,000,000
Tea	24,000,000	Cereals	6,000,000
Hides and skins	15,000,000	Animals	5,000,000
Seeds	12,000,000	Wool	5,000,000
Cotton, raw	12,000,000		

Having reviewed the foreign commerce of China, which is the chief basis of our economic interest in the country, it will be well to bear in mind that the Chinese themselves

are in a period of transition. It is probably safe to say that the question of increasing our trade with China cannot be settled until the people have adjusted their internal differences and started forward along a road of solid creative expansion. The present government is republican in form, with President and Cabinet, Vice-President, Senate and House of Representatives. There are also various foreign advisers, representing the leading nations of the world. Professor Frank J. Goodnow, who resigned his post as legal adviser to President Yuan Shih-K'ai several months ago to become President of Johns Hopkins, is inclined to think the new government is working satisfactorily. Dr. Goodnow, in an interview published recently in the New York *Evening Post*, spoke of changes of dynasty in China, and stated that they had been followed by periods of disorder lasting from ten to fifty years. There is every reason to believe that the present radical readjustment will require time to establish itself securely in the confidence of the Chinese people.

"When I left China," Dr. Goodnow continued, "the country was, in general, peaceful and prosperous, the revision of the salt tax had proved satisfactory in placing the finances on a firm basis, and while it is true that White Wolf was still at large, and there was still talk of disaffection in some quarters, the machinery of the Government was working well."

As to whether the Chinese are ready for popular government it is difficult for an American to judge. The facts underlying their status as a nation, however, are at least partially discoverable. In the first place the area of China is easily visualized by a citizen of the United States, for it is only a little less than the combined area of the United States and Mexico. The area of China is given in the Statistical Abstract of the United States as 4,277,120 square miles. On the same authority the area of the United States is 3,627,557 square miles, and that of Mexico 767,323 square miles, a total of 4,394,880 square miles. Taking a European country for comparison, it may be said that the area of China is roughly one-half that of Russia; or from a South American point of view it is a little less than the combined area of Argentina and Brazil, Argentina containing 1,139,196 square miles, and Brazil 3,291,416 square miles, a total of 4,430,612 square miles. The nature of Chinese topography is not unlike that of the United States, in that it contains mountain ranges, broad river valleys, and large expanses of prairie. As in the United States, the principal agricultural section is in the Central and Southern portions. The climate also ranges much as does our own, from arctic to semi-tropical.

The size of China's population has been a bone of contention for a generation. Within the past two months it has been variously stated in current periodicals as 442,000,000, 437,996,300, 336,042,000 and 326,000,000. The explanation of this wide discrepancy is not far to seek; for no accurate census machinery has been developed in China. It is none the less amazing that the variation between the smallest figure and the largest should be greater than the total population of the United States. The estimate of 442,000,000 is adopted by Consul General Sammons in the Daily Consular Report above referred to. The figure of 336,042,000 is apparently taken from the Statistical Abstract of the United States. By far the most plausible authority, however, appears to be the Statesman's Year-Book for 1914, which adopts the estimate of 325,000,000. In commenting on the Chinese census of 1910 as published in the Government Gazette, the Year-Book makes the following observation: "In 1912, Mr. Rockhill, formerly American Minister at Peking—a recognized authority—after careful inquiry came to the conclusion that 'this document, though showing complete ignorance of the methods now nearly universally followed in vital statistical reports, throws considerable light on the question of China's population and seems entitled to more confidence than the enumerations which have heretofore appeared.' He believed that the population of China, Manchuria, and Chinese Turkestan, i. e., the Chinese Republic exclusive of Tibet and Mongolia, appeared to be in round numbers 325,000,000, new information having confirmed the opinion reached by him in former studies of the same subject that the population of China 'is much smaller than we have been led to believe, and that in the last century it has been increasing very slowly, if at all.'"

Taking the estimate of 325,000,000 as correct there still remains a population in China greater by two million than the combined population of Russia, Germany, the United Kingdom, France and Belgium. Of course, if the maximum estimate is adopted the population of the United States and Mexico could be added to these, still leaving a considerable margin in China's favor. In density of settlement China ranks well up in the list of nations, though far from being, on a comparative basis, highly congested. The population per square mile in China is 78.57 as compared with an average of 27.14 per square mile in the United States. This is well above Australia, for example, with its 1.59 per square mile, or Canada with 2.00, or Brazil with 7.39; and it is considerably denser than Russia with 20.02 inhabitants to the square mile. On the other hand, it is well below the French average of 191.19; the German, of 316.56; that of Great Britain, of 345.79; the Japanese, of 354.18; or that of Belgium before the present war, namely, 666.40.

There is a considerable urban tendency on the part of the Chinese people, but the size of urban population is popularly over-estimated. Peking, the capital, had a population in 1912 of approximately 693,000. The other cities of 500,000 inhabitants or over were, in the same year: Canton, with 900,000; Hankow, 826,000; Tientsin, 800,000; and Shanghai, 651,000.

The population is notoriously diversified in character. The people of the North, for example, in many instances have nothing in common with the Southerners, not even their language. The flag adopted by the new Republic is a forcible witness to the varied origin of the race, in that it supplants the old yellow dragon with a banner of five stripes denoting the races of which the China of to-day is made up—crimson for the Mongol, yellow for the Chinese, white for the Manchu, blue for the Turki (from Chinese Turkestan), and black for the Tibetan. The ac-

tual foreign population of the country is very small. It was estimated in 1912 at slightly over 140,000, of which number the Japanese comprised more than half, or 75,000. The remainder was made up as follows: Russians, 45,000; British, 8,000; Americans, 4,000; Germans, 3,000; Portuguese, 3,000, and all others, 2,000.

The growth of newspapers throughout China is doing much to unify the people. The development and widespread use of a common speech will go far to simplify the problems of the Republic. Then, too, the contact with Western civilization will increasingly inculcate a desire for industrial and commercial growth, with its necessary accompaniment of sound and peaceful internal conditions. But Dr. Goodnow, in the interview already referred to, brought out very clearly that the Chinese nation has not unlearned in a generation the carefully accumulated knowledge of so many centuries, nor ceased to carry on official business in the time-honored Chinese way.

"I think," he said, "that we in this country are apt to over-estimate the influence of the returned student from America and Europe in China's latest crisis. These students are comparatively few in number, and are apt to be found chiefly in the coast cities. Their training has led them away from the educational traditions of their own country, and this fact has lessened the influence they would otherwise exert. In China it is still necessary that a man in public life possess literary qualifications, not merely a knowledge of the classics, but facility in writing in an artificial, conventional style, which abounds in allusions to the classics. There was a time not many generations back when an Englishman addressing the House of Commons could hardly win the attention and respect of the members without interlarding his speech with quotations from the ancients. China has not outgrown this stage of development, and the literati are still a power. The young student from the West who fails to master the style in which official correspondence is carried on will be judged accordingly, and he will be under the disadvantage of not fully comprehending communications he may receive.

"A student returning from Japan is more fortunate. There also the Chinese classics are held in high esteem, and he returns to China with the advantage of whatever special training Japan's schools afford, and at the same time with a working knowledge of his own cults.

"It would be wrong to expect a transformation of the old Empire into something approximating American governmental ideals in so short a time. This much has been done: A system has been devised and put into operation affording a foundation for development along constitutional lines, and the people and the foreign element in China seem satisfied with the progress that has been made."

Another vital consideration in amalgamating so numerous a people in a country of such great distances is the transportation question. The length of railway in China in 1912 was 6,123 miles. In the same year there were 6,135 miles of railway in the State of Nebraska, 8,500 miles in the State of New York, and 236,816 miles in the United States. This mileage was an average of .2 miles for each 10,000 inhabitants in China, 50.3 per 10,000 in Nebraska, 8.9 per 10,000 in New York, and 25.9 per 10,000 inhabitants of the United States. The Chinese mileage, further, was in the ratio of 1.4 miles of railway for each 1,000 square miles of area, as compared with 83 miles of railway per 1,000 square miles of area in the United States. It is obvious that railroad building is a matter of prime importance to China, and the fact that European capital has been so largely concerned in financing it must now be considered in estimating the time which will be required for China to attain her industrial maturity. In this connection an observation of Consul General Sammons in his report on China is pertinent.

"Although many contracts for new railroad lines have been signed," says Mr. Sammons, "none of them has reached the construction stage. When the surveys are completed there will undoubtedly be a remarkable advance in imports of railway materials and supplies. American manufacturers are aware, however, that contracts of this kind usually provide that materials and supplies must be purchased in the country supplying the loan money. Materials will probably be received this year (1914) for the Pukow-Sinyang line and the extension of the Shanghai-Nanking Railway to Pinghsiang, both of which are British projects."

In this suggestion of Mr. Sammons with regard to the purchase of supplies from the country making a loan is contained a very large part of the secret of the preponderance of British trade in China which has been indicated above. The United States has hardly entered the competition for the commerce of the world. Her exports have amounted to less than 5 per cent. of her national output, while the principal European countries have been exporting 60 per cent. of theirs. As pointed out in this paper several months ago, the United States has not been outdistanced in a struggle which was vital to her. On the contrary, this nation may fairly be said never to have entered the modern commercial arena up to this time. If present circumstances provide the inspiration for a square entrance into the struggle, it can only be in a big way. The prize is tremendous. The Department of Commerce at Washington estimates the total trade of the world at $40,000,000,000. Of this amount the United States, in 1913, contributed four and one-half billions. Surely this is not a field to enter upon in sporadic fashion or with anything but the best equipment. To win a share in Chinese trade, the full maturity of which will only be seen in the distant future, the people of the United States must contribute their share in helping the Chinese people to their feet. As further authority for this view as to our commercial future in China, there may be quoted, in concluding this review of the facts, the statement of Mr. Willard Straight, of J. P. Morgan and Company, made in the course of a recent speech as President of the American Asiatic Association.

"If and when stable conditions are restored in China," said Mr. Straight, "and if American investors can be induced to purchase Chinese securities, it is but reasonable to hope that we may be able once again to assume a more important commercial position in the Far East.

"Numerous opportunities will without question be offered to Americans. The ordinary exchange of commodities should be greatly stimulated. Any great extension of our trade, however, must depend upon our readiness to advance funds for China's development."—*The Market World and Chronicle.*

THE HEGEMONY OF THE FAR EAST

BY JOHN C. FERGUSON, IN "THE NORTH AMERICAN REVIEW."

The stirring events now transpiring in Europe should not be allowed to divert the entire attention of the world from the changes which the present war will make in the Far East. Up to the outbreak of hostilities this summer a comparison of the interests of Europe and America in Asia would have shown the relative superiority of Great Britain. Even in comparison with Japan, Great Britain could rightly claim a preponderating influence in Asia. Is this likely to be maintained, or is the hegemony to pass into other hands?

A rapid survey of the far-reaching influence of Great Britain east of the Suez Canal is necessary in order that its scope may be grasped. Arabia is a negligible territory apart from the commanding seaport of Aden and the island of Perim at the southern entrance of the Red Sea, but both of these places are British possessions. The strength of the British position in Persia was evident during the events of 1911 which centered around Mr. Morgan Shuster. In spite of the armed forces of Russia which threatened the northern boundaries, English diplomacy was able to obtain without any warlike demonstration an equal voice in the supervisory control of the Persian Government. This result was accomplished notwithstanding the alleged support by Germany of Russian designs. The reason for the desirability of leadership in Arabia, Persia, and other small countries of Asia centers around the British possession of India. India is the most vital of all portions of the British dominions outside of the British Isles. The amount of territory owned, controlled, or dominated by the Government of India has grown steadily year by year since the eventful battle of Wandiwash in 1760, and the capture of the hill fortress of Giugi during the following year, by which events the French lost the last vestige of their control in the peninsula. The position of Governor created for Lord Clive in 1758 grew into the importance of that of Governor-General for Warren Hastings in 1774, and of Viceroy for Earl Canning in 1858. On January 1, 1877, Queen Victoria was proclaimed Empress of India at the great Durbar held at Delhi. The influence of the great British Empire of India now reaches to Afghanistan, Beluchistan, Tibet, Burma, Straits Settlements, and Ceylon. It controls the sea from Suez to the Pacific Ocean and spreads to the islands of the Malay Archipelago.

From India the extension of influence to China and Japan was easy and natural. In 1792 William Pitt sent Lord Macartney on his mission to the Chinese Emperor, Chien Lung, and in 1815 Lord Liverpool sent Lord Amherst on a second embassy. In 1819 the island of Singapore was purchased from Johore as a half-way station to China, thus making possible the forward policy of Captain Elliot in 1839, which resulted in the Treaty of Nanking in 1842. Under this treaty Great Britain obtained the cession of the island of Hong-Kong and the opening to trade of the five ports of Canton, Amoy, Foochow, Ningpo, and Shanghai. Subsequent treaties gave Great Britain "concessions" in ports which were opened to foreign trade, and these concessions, now numbering about a dozen, are controlled by British consuls. Following on the heels of the American opening of the doors of Japan came the extension of British influence. In 1858 Lord Elgin signed the treaty by which Japan agreed to open six places to British trade and residence, and to leave the settlement of questions affecting British subjects to the jurisdiction of British authorities. American influence in Japan has been very strong, but it has been second to that of Great Britain, to which nation, as in China, must be granted the first place. British writers such as Curzon, Norman, and Krausse have not been slow to claim the predominant rôle in the Far East for their nation, and no matter how unwelcome the fact may be to other nationalities its truth must be acknowledged.

Previous to the Russo-Japanese War of 1904 the only rivals of British leadership in Asia with large territorial areas were France and Russia. The earlier competitors from Spain, Portugal, and Holland had long since been outdistanced, but France had not forgotten her ambition to offset her loss of India to the British. "Farther India" allured her, and she waited for a favorable opportunity. Louis XVI. made an alliance with Gialong, the exiled King of Annam, but was prevented from reaping any benefits from it by the outbreak of the Revolution. French missionaries continued to carry on their work, but met with constant opposition and not infrequently with cruel deaths. In 1858 a strong force was despatched by France against Tourane as an act of reprisal for the treatment of missionaries, and subsequent military campaigns fully established French power throughout Annam, Cambodia, Tongking, and Cochin-China. A brief war with China occurred in 1884, the chief result of which was the extension of French influence into the southwestern Chinese provinces of Yun-nan and Kueichou. For the last quarter of a century the chief rival to British influence in southern China has been France, and this rivalry has been of no small importance.

Russian influence has been exerted wholly by the upbuilding of Siberia. She was the first of the European nations to make a treaty with China, the Treaty of Nertchinsk having been signed in 1689. The Trans-Siberian Railway was the culmination of the policy of the Russian development of Siberia. The desire for an ice-free port was responsible for the formation of the Chinese Eastern Railway Company which built the line southward from Harbin to Port Arthur and Dalny. This was followed by the decision of Russia to fortify these places, and thus to plant the seeds of her own undoing. This railway brought slight, if any, commercial advantages to Russia, and there was no threatening by it of British commercial supremacy. The rivalry of military strength was, on the

other hand, so serious that Great Britain replied to it by leasing from China the port of Wei-hai-wei, directly across the Gulf of Pe-chi-li, and Japan soon found that war was necessary to prevent the strangling of her plans for the annexation of Korea.

In 1898 the Philippine Islands fell into the hands of the United States, and in the same year Kiao-chou was seized by the Germans, but it is doubtful if either nation has acquired any additional prestige or strength from these new possessions. Neither of them has been a serious rival of British supremacy, although both have been constantly adding to their large interests.

More serious than the growth of French and Russian influence has been the rapid advancement of Japan. In 1872 the first Japanese railway was opened, in 1889 a Constitution was granted by the Emperor, and in 1891 the first Parliament met. In 1894 occurred the war with China and the beginnings of Japanese Empire in Korea; in 1897 a gold standard was adopted; in 1899 extra-territorial rights of foreigners were abolished; in 1904-5 Russia was driven out of southern Manchuria. These great changes have been followed by the annexation of Korea, the extension of Japanese prestige in Manchuria, and the joining of Japan with Russia, England, France, and Germany in forming the Quintuple Group which is loaning money to the new Republic of China. In twenty years Japan has advanced from being regarded by Europe as on the same level as China to being a first-class Power, allied with Great Britain, and consulted in all matters affecting the Far East by all nations. This growth has been phenomenal and could only have been achieved by a nation of extraordinary ability. Her territory extends from Sakhalin through the Japanese and Loochoo Islands to Formosa, includes Korea, and is reaching out to the three eastern provinces of Manchuria. Chinese students have flocked to Japan, Japanese travelers, teachers, merchants and agents have swarmed to every port of China. Japan has easily passed ahead of France and Russia and has become the chief competitor with England for the hegemony of the Far East. Will England retain it or has it now passed to Japan?

Many features of the present situation point to the retention by England of her hard-won leadership. Her financial interests are larger than those of any other nation. The annual revenues and expenditures of India are larger than those of Japan, so that the consideration of the comparative domestic conditions of the two nations would leave Great Britain still in the lead of Japan as an Asiatic power. In investments outside of their own territories Japan has little to her credit balance outside of a few small loans to China, which would aggregate about ten million dollars. On the other hand, England has investments everywhere from Suez to Japan. As an example, China has borrowed more from British investors than from all other nations combined. Japan buys from England three or four times as much as she sells to her, just as she sells more to America than she buys. In the one example of the sale of cotton goods in China, Japan in the last five years has cut into the trade of Great Britain and America, but she has only succeeded in outclassing us, while Great Britain still keeps the lead. In 1909, 10,690,000 pieces of British, 3,850,000 pieces of American, and 1,390,000 pieces of Japanese cotton goods were imported into China. In 1913 the British continued to head the list with 11,700,000, Japanese came next with 5,710,000, while American imports had dropped to 2,280,000. This supremacy has been maintained in spite of Japan's relative nearness to the market and the cheap wages of her salesmen.

In banking, leadership in China and Japan still remains with a British bank, the Hong-Kong and Shanghai Banking Corporation, strongly supported by the Chartered Bank. Japanese banks, such as the Yokohama Specie Bank, have risen rapidly to importance in their own country, but cannot compete in large business with their British competitors. In shipping, Japan comes nearer to the level of Great Britain in the Far East than in any other commercial condition, but even in this she still holds a secondary place. In a word, it must be confessed that all phases of the financial and commercial relations of the Far East show Great Britain still to hold the commanding leadership. The proposal of the Japanese statesman last summer that there should be a union of British money and Japanese brains for the development of China shows the estimate held in Japan of British preponderance in financial matters, even though it is not conclusive as to mental outfit.

In the size and location of her territories, as in finance, Great Britain leads. The vast territory of India is protected on all sides, and its natural location shuts it off to a large extent from immediate contact with its neighbors.

The most influential factor in determining for the immediate future the hegemony of the Far East is the comparative military and naval strength of the two nations, and here Japan has everything in her favor. Europe will call for all the military and naval equipment which Great Britain can command and will leave no surplus which could strengthen her present forces in the Far East. The comparison must therefore be made between Japan and the forces of Great Britain as they are now actually in Far Eastern service, without taking into account Great Britain's European contingent. In other words, the military and naval strength of India and the British colonies of Asia, together with Australasia, should be compared with that of Japan.

As to the army, Japan has a homogeneous force, commanded by her own officers, with a large number of men that have seen severe fighting in the Russo-Japanese war. India has an army of her own men commanded by British officers. In potential numerical strength there can be but little difference in the two armies, but in effective fighting the unified national spirit of the Japanese should make them superior to the mixed army of India. In naval strength Japan leads. Among the people of China, Siam, Persia, Tibet, and the smaller Asiatic states, Japan has the prestige of having defeated Russia and declared war on Germany. The thrilling effect of a single Asiatic power being able to resist a European army and to conquer it

has spread throughout Asia and has aroused hopes in the hearts of all Asiatics that in some good future time Europeans may no longer be able to dominate them. Too much importance can scarcely be given to the new hopes of Asia which have been directly traceable to the defeat of Russia by Japan. The present attack upon Kiao-chou will stimulate these aspirations. In a comparison of prestige among Asiatic peoples, as also in military and naval strength, there is no doubt in my mind that the leadership has now passed to Japan.

The effect of the Anglo-Japanese Alliance has been to secure the stability of English rule in India, but by making possible the defeat of a second European nation in China it is having the effect of carrying away the hegemony of the Far East from Great Britain, which has long held it, and passing it over to Japan. It may be considered as a natural corollary of the rise of Japan that the leadership of Asia should be held by this Asiatic nation, but we may be sure that England has not wished for such an outcome of the changed conditions. Her hands have been forced by the larger considerations of her vast empire. My conclusion is that she will retain for a long time the controlling influence in all financial and commercial matters, but that the real hegemony of the Far East has now definitely gone to Japan. Other nations can only hope that Japan will show the same generous spirit to others which has characterized British leadership.

DR. ADAMS AND RAILWAY ACCOUNTS

The departure of Dr. Henry C. Adams from Peking for America on September 12 brought to a close the first stage of one of the most important essays at reform in China's railway management that has so far been made. Dr. Adams came to China about a year ago at the special instance of the Ministry of Communications to assist a Commission in the unification of China's railway accounts and statistics; and for this work Dr. Adams was granted a year's leave by the Interstate Commerce Commission, of which he is a distinguished member. We have made frequent reference to the progress of the Commission's work, but so far have published no comments by Dr. Adams, an omission which we are now able to repair by recording the gist of a conversation held with him prior to his departure.

Dr. Adams came to China apprehensive of the growth of considerable difficulties as his work proceeded. The conditions surrounding the creation of what railway system existed in China were, on the surface, extraordinarily complicated by international rivalry and jealousy; and the cosmopolitan nature of the financing and the accounting postulated obstruction from the outset. But to Dr. Adams' great surprise these difficulties quickly proved themselves to be more imaginative than real. A conference between the accountants of the various railways and the Chinese constituting the specially created Unification of Accounts Commission established a harmony that developed as time went on, and proved the existence on the part of the foreign accountants of a genuine desire to have a set of accounting forms created whereby there could be general uniformity of the railway accounting and statistic service of the country. Of this Dr. Adams spoke with considerable pleasure, attributing whatever success had been obtained to the co-operation of the various foreign accountants.

"The first work undertaken by the Commission, was," said Dr. Adams, "the arrangement of rules and regulations for the control of construction accounting. That is, the engineer's classification of capital expenditures. Those rules have been promulgated and are now in force; and so far as formulated accounting is concerned the Chinese accounts are in better shape in this direction than in any other part of the world.

"The operating accounts were next considered, and just as explicit and detailed rules were devised for auditing the operating revenues as for the construction accounts. All expenses are properly classified, and on every road in the Government's control items of expense will be recorded under the same heads. In fact, the headings of the construction and operating accounts are the same—a feature not in existence in any other country. It will give a test which no other country is getting—a test of operation easily applied. These accounts will show the percentage of maintenance cost on capital cost; each year can be found out the percentage of maintenance charges to the original cost, and that analyzed by eighteen or twenty subheads. These figures cannot be got right off the accounts in use in any other country.

"A third set of accounts will show the true surplus for the year and for each individual road since its beginning. It will supply the figures used in budgets, and thus give what has not been obtainable before—the actual profit, if any. Each year will stand by itself. The income account is, for China, a most important thing; it gives the operation expenses and the amounts due, for instance, with regard to bonds for each year; and a special account is provided to pay off old debts. These accounts provide the control, and with their aid auditors can go to any road and find out what is being done, and what is being made, for the foreign bondholder as well as for the Chinese. My hope is that this will not create a controversy; the foreign bondholder should regard it as being as important to him as to the Government."

Dr. Adams leaves the country hoping that the result of the labors of the Commission with which he was so happily connected will be thoroughly enforced. He points out that China occupies a unique position. As she is, at the beginning of her railroad activity she has secured in one year what it took twenty years in other countries to work out. She has, further, had the advantage of their experience and now possesses more advanced accounting forms than they possess. This in itself should be an incentive to the Government to introduce and enforce the use of all the forms framed by the Commission. China has, in the past, employed a multitude of Commissions and has pigeon-holed their reports. This Commission has done something tangible and practicable, and it will be extremely regrettable, and criminal short-sightedness, if the Government fails to utilize what it has now secured.—*The Far Eastern Review.*

CHINA'S RAILWAYS AND THE WAR

When it first became clear that all the Great Powers of Europe and Japan were involved in the War much pessimism was felt in some quarters in regard to the prospects of railways in China. Great emphasis was laid upon the fact that almost without exception China's railways had been built, or were to be built, with money obtained from abroad. In view of the fact that, whatever the outcome of the war, the victors would suffer economically almost as much as the vanquished, it was pointed out that the money for railway development in China would not be forthcoming, at all events for a very long time.

There is, of course, considerable truth in these contentions, but we do not believe that the situation is quite so dark as it has been represented to be. The money for the construction of the Hukuang lines, or, to be more accurate, the amount that was deemed originally to be sufficient for their completion, has been paid up and is held in the banks concerned at the disposal of the Government of China. As far as this system is concerned, therefore, there is no reason why the work of construction should not proceed irrespective of the happenings in Europe and in Shantung. This applies also to the completion of the Shanghai-Ningpo line, for which ample funds are available. It is true that the agreements for the construction of new lines obtained by the Belgians, British, French, Germans and Japanese will necessarily be held up for some time, but there are other sources from which money can be obtained. The opportunity is open to America to assist China in improving her communications and there is no apparent reason why it should not be taken. In spite of the attitude taken up by the Wilson Administration in regard to the Sextuple Consortium, which led to the withdrawal of the American Group just as the success of the long and tedious negotiations was assured, we believe that any legitimate American enterprise in China would now receive the protection, if not the support, of the State Department. If that be so there is at least a possibility that the American financiers who understand the importance of extending American influence in this part of the world will be prepared to step into the financial breach.

Apart altogether from extraneous aid, China can do something with her own resources. The internal loan now being floated is being taken up with more readiness than was expected. It is true that a feeling of uneasiness still prevails among a considerable portion of the population, and that this is not conducive to the exhibition of implicit confidence such as is shown by investors in other countries. But the hopelessness of success attending any rising against the existing Government should be apparent. The great bulk of the people are desirous of peace. Especially is this true of the merchant class, who have nothing to gain and much to lose by a recrudescence of rebel activity. In such circumstances the uneasiness that exists should disappear, and it would cease the sooner if the moneyed classes recognized that financial support to the Government at this juncture would indicate to the rebel elements that the assistance without which their efforts would be useless would be given, not to them, but to those whom they wished to overthrow and supplant. The natural timidity of the Chinese might prevent for a while any considerable accretion of funds to the Government from domestic loans, but as the sense of security grows such a desirable outlet for money which is not now earning interest is sure to be utilized. Chinese Government loans for railway construction should, in particular, appeal to the Chinese investor. He has the object lessons of the Railways of North China and the Peking-Hankow Railway to inspire him. Those lines do considerably more than meet their interest charges and there are others which are rapidly nearing the same satisfactory situation. If the Chinese will only show confidence in themselves and their country, there is no reason why railway construction should not proceed in spite of the stupendous struggle that is bathing Europe in blood.—*The Far Eastern Review.*

RIVER CONSERVATION

The departure of the engineering party headed by Colonel Sibert for America signalizes progress in the work which the Red Cross Society of America is endeavoring to do for China. The party was despatched by the Society to make a report upon the feasibility of flood prevention in the Hwai River region, and after careful examination Colonel Sibert will be able to make a favorable report. Although Colonel Sibert while in Peking had several interviews with the Minister of Commerce, Industry and Agriculture, and also had audience of President Yuan Shih-kai, he made no formal report to the Chinese with regard to his observations in the famine area. No report will be made, in fact, until the one is complete for the Red Cross Society; but we have reason to believe that Colonel Sibert will recommend proceeding with the work. Then will come the question of finances. It will be remembered that a loan of $50,000,000 (United States Currency) was talked of for this purpose, but the European conflict, with its wrecking of markets, is likely seriously to affect the chances of raising such a charity loan as that which will be required for Hwai River conservation work.

It is certain, in fact, that the development of the scheme will now be materially delayed, but the delay might well be advantageously availed of by China to make investigations which will be of great assistance to the engineers whenever the time arrives for the employment of human energies to overcome the whims of nature which now contribute to such periodical loss. China may, and should, begin at once to obtain data about her rivers. She should have done so long ago, but she has failed in that respect. Now that America has come forward with the explicit intention of assisting in harnessing one of her most erratic streams it is incumbent upon the Chinese to render as much aid as possible. The erection of gauges for the measurement of the rise and fall of river waters, and the registration of rainfall, are two of the simplest and yet most important steps that can be taken. China has signally failed in the collection of data illustrative of the character of her rivers and her rainfall. Missionaries have in some cases regularly recorded the rainfall, but something systematic and general is required. The missionaries will be only too glad to render further aid to the Government in this direction; a fact which might easily be tested by an offer to supply various missionary stations with rain gauges. In localities where there are no mission stations Chinese in the telegraph service might have the duty imposed upon them of keeping regular readings, and telegraphing them to some central recording station; and where there are no telegraph stations other officials might easily be selected for the work. A thorough record of the rainfall in given areas will be of the utmost value to any engineers engaged upon conservancy work, and if that is supplemented by accurate

records of the heights of water at different places at different periods in given rivers the engineers will have information of tremendous assistance to them. The sooner the Government can appreciate this the better it will be. Nothing can be accomplished without painstaking preparation, but results will come quicker if steps are taken early. —*The Far Eastern Review.*

THE REVOLUTIONARY MOVEMENT

Dr. Sun Yat-sen, Mr. Ma Soo, and other revolutionary "patriots" have recently been entertaining various representatives of the European press with their views upon the political situation in China. Mr. Ma Soo, who became notorious as the editor of the *China Republican,* is now in Europe, and in an interview with a representative of the *Standard* he stated that there were thirty or forty members of the Chinese Republican Society in London, all men who had fought in the first or second revolution, who now met every fortnight to discuss their plans. He prophesied that ultimately the Republicans would succeed in overthrowing President Yuan. Dr. Sun, in a recent interview with a Mr. G. L. Harding, in Tokio, made his usual tirade against the "five Christian nations who connived at our betrayal," and boasted that "our men are in every great city planning the new uprising that Yuan Shih-kai knows he cannot resist." The President, therefore, has had fair warning of the implacable enmity of his political opponents, and we have no doubt that in the future, as in the past, he will prove capable of effecting their discomfiture if ever they get beyond the stage of boastful talk, and try to carry their threats into action.

We suppose Dr. Sun, and Messrs. Ma Soo, Huang Hsing, Chen Chi-mei, and other fugitive republicans expect the world to believe that in agitating for yet another revolution they are actuated solely by patriotic and worthy motives. When they say "*we* intend to do this" and "*we* are going to do that" the world is supposed to infer that they are speaking on behalf of all really enlightened and patriotic Chinese. The public is, in fact, expected to believe that all China is eagerly awaiting a liberator, and that the nation will flock to his standard as soon as a third revolution is launched. Apparently these arch-conspirators have failed to take to heart the lessons of the second revolution, when the mercantile communities as a whole deliberately set their faces against any further disturbances, and declined, save under compulsion, to assist the movement either with funds or supplies. If we read the signs of the times aright, the masses, particularly those unfortunate enough to have had personal experience of the sufferings and terrors of the first and second revolutions, are determined to have no part in any further uprisings. They have no desire to be buffeted about further between rival armies contending over principles of which they know little and care less. And as it is they who suffer most in such contingencies, their views are entitled to considerable weight. The present system of government may not be perfect. The officials now in power may not be uniformly progressive, honest and efficient. But many districts have learned from bitter experience that the whips of the Manchus became scorpions under the "progressive" and inexperienced officials who were brought into office by the first revolution, and that a change in the system of administration, and the substitution of young, modern-educated theorists for the old type of official was on the whole a change for the worse instead of for the better.

Whether the President's methods of governing the country are in strict accord with advanced republican ideas does not seem to us to be a question of vital importance at this juncture. For the two years following the 1911 revolution the whole of China was virtually in a state of anarchy, while reformers and idealists were trying to carry their ideals into practice. Not until President Yuan grasped the reins firmly in his own hands did the Central Government exercise any real authority or control over the Provinces. Even if it be necessary to adopt somewhat arbitrary methods to enforce respect for the authority of the Central Government, the results must, in the long run, prove beneficial. A good foundation is being laid upon which to erect the fabric of administration later, whatever be the precise form it may take. Dr. Sun and his fellow-conspirators would undermine this foundation, and replace it with some fantastic substitute of their own, unsuited to the soil, and unable to bear the weight of a substantial edifice. They would destroy the centralization of authority, which is gradually evolving order out of chaos, and once more experiment with ideals and visions of their own. But more iniquitous still, they are deliberately working to provoke another upheaval which can only result in a complete paralysis of commerce, national bankruptcy, and not improbably the partition of their native land. Is it real patriotism to be working restlessly to provoke a revolution which the nation as a whole does not want; which after the internal disturbances of the past three years must almost inevitably encompass China's financial ruin, and destroy her integrity? Have Dr. Sun, Huang Hsing and other conspirators, who have spent so many years of their lives outside of China, the right to assume that they are better able to interpret the desires of their nation than the President, who, with the exception of a few years in Korea, has never left his native land? Whatever their own views and theories, would it not be nobler and more patriotic to give the system now in force a fair trial before engineering further conspiracies for its destruction? How will they appear before the world if in spite of further conspiracies, further bloodshed, further disturbances in which their misguided followers and not the real leaders suffer, the methods adopted by President Yuan prove successful, and are shown by experience to be those best suited to China's present and future needs?

—*Peking Gazette.*

REVIVAL OF THE DESTINATION TAX.

"It is not good a sleeping hound to wake," wrote Chaucer many years ago. And it seems to us that his advice might well be taken to heart by the Chinese Government at this juncture. As our readers are already aware, only a few weeks ago the Chekiang Governor was praised in a President Mandate for his success in securing funds for the assistance of the Central Government, in his Province, and about the same time it became known that trade in certain classes of foreign goods was at a complete standstill in Chekiang, owing to the sudden imposition of likin and destination taxes upon a hitherto unprecedented scale. On broad principles the folly of imposing excessive taxation upon commerce, foreign or native, in any province, is too obvious to need serious argument. If it be admitted that China's financial rehabilitation is mainly dependent upon a revival of her commercial prosperity, it must be evident that any temporary advantage gained by the heavy taxation of commerce will not be justified if it results in a stagnation of commerce in the immediate future. By keeping internal taxation upon commerce at the lowest possible rate, the Government will soon make up for any temporary sacrifice of revenue, by the increased prosperity of its citizens. On broad principles, therefore, it cannot be doubted that the imposition of unreasonable taxation upon commerce is a grave mistake.

When it comes to details, we at once enter upon a very thorny path, and one, moreover, which is strewn with pitfalls for the unwary. So far as foreign imports are concerned, their exact position in regard to internal taxation has never been definitely cleared up. The Tientsin Treaty between Great Britain and China of 1858 was the

first to deal with any precision with the question of Transit Dues. Under Article XXVIII of this Treaty it was "at the option of any British subject, desiring to convey produce purchased inland to a port, or to convey imports from a port to an inland market, to clear his goods of all transit duties by payment of a single charge. The amount of this charge shall be leviable on exports at the first barrier they may have to pass, or, on imports, at the port at which they are landed; and on payment thereof a certificate shall be issued, *which shall exempt the goods from all further inland charge whatsoever.*" It was further agreed that the transit dues should as far as possible be calculated at a rate of 2½ per cent. *ad valorem.*

We have italicized the sentence which is most material to the controversy which has now arisen in regard to the levy of Destination Tax (Lo Ti Chuan) in Chekiang. The plain meaning of this sentence seems indisputable. But the Chinese Government has always argued "that *whatsoever* applies only to taxation, en route, in transit and on the way to destination, and that goods on reaching destination, and presumably being sold to Chinese, are there liable to any further taxation which would fall upon them on the same principle that would affect them if they were Chinese goods in Chinese hands, whatever that principle might be." Such, at any rate, is the statement made by Sir Robert Bredon in the interesting series of articles upon Tariff Revision that he contributed to these columns in January last. Sir Robert Bredon goes on to assert that Lord Clarendon, when head of the British Foreign Office, admitted that goods might be taxed at destination, i. e., when they ceased to be in transit. But Great Britain is not the only power which has explicit references to the question of transit dues in its treaties with China. In the Japanese Treaty of 1896 there is also a stipulation that transit dues upon imported goods shall not exceed half the import duty, or 2½ per cent. *ad valorem* of duty-free goods, "and on payment thereof a certificate shall be issued which shall exempt the goods from all further inland charges whatsoever." While, as a matter of practice, the Treaty Powers have tolerated the imposition of destination taxes after the surrender of the transit pass, the question has never been negotiated to a final issue, and to put the matter in its most favorable light from the Chinese point of view, the most that can be expected is that so long as destination taxes and other internal imposts after the surrender of the transit pass are kept within reasonable bounds, China's right to collect them is unlikely to be questioned. It becomes a very different matter, however, when the additional imposts are raised to an unreasonable figure, and, what is more, when regulations are promulgated which make it evident that the provincial authorities are determined to nullify the advantages of carrying goods under a transit pass, by imposing, on the surrender of the latter, a so-called Destination Tax, which fully compensates for the taxation the goods have escaped en route. "A sleeping hound" has then been awakened which may prove extremely troublesome to everyone concerned. Not only will the powers whose trade is affected protest against such impositions, but they are likely to exact strict compliance with the literal wording of the treaties, and to adopt an unfriendly attitude towards Chinese requests for their concurrence in the revision of the Customs Tariff. Whatever may be the actual wording of the treaties in regard to transit dues—and it seems to us that the literal wording would be construed by any impartial authority as precluding *any* further taxation of goods once covered by transit passes—it cannot be doubted that the penalizing of foreign goods under transit passes or even the imposition of destination taxes far in excess of those hitherto collected is contrary to the spirit of the treaties. And the eventual result of such action on the part of the Chinese authorities will inevitably be that a tacit arrangement which has hitherto proved beneficial to China, and has not operated harshly upon foreign trade, will be replaced by a cast-iron understanding which will not only deprive the Government of the increased revenues it is now collecting in Chekiang upon goods covered by transit passes, but also of *any* revenue upon foreign imports other than the regular customs and transit dues. It seems to us a shortsighted and foolish policy at a time when a minority of the powers is opposed to allowing China to increase her import tariff, unconditionally, to an effective five per cent., deliberately to provoke those Governments which are disposed to treat her liberally in this matter, and for the sake of a trifling temporary advantage to paralyze trade and imperil an understanding by which certain treaty provisions have hitherto been construed far more liberally than their actual wording warrants.—*Peking Gazette.*

PROVISIONAL REGULATIONS FOR THE COLLECTION OF LOTI CHUAN IN CHEKIANG

(*Published in the Chekiang Official Gazette of Oct.* 9, 1913.)

1. Every purchaser of foreign goods, protected by a transit pass which has been handed in for cancellation, shall in accordance with existing Regulations pay Loti Chuan once.

A purchaser of goods at the destination indicated in the pass shall pay the tax at the office where such pass is handed in for cancellation. A purchaser of goods en route shall pay the tax at the office where the sale is reported.

2. Destination Tax (Loti Chuan) on foreign goods shall be reckoned as one-half of the T'ung Chuan payable in accordance with the provisional procedure adopted in the case of "goods sold at the place where they are." In the case of unenumerated goods, the tax shall be calculated at the rate 2½ per cent. ad valorem and shall be paid by the purchaser.

3. Purchasers of foreign goods, liable to destination tax, who do not pay it at the proper T'ung Chuan Office will be dealt with under Article 14 of the Provisional T'ung Chuan Regulations, dealing with the evasion of taxes, on being found out.

4. Purchasers of goods secretly evading the tax will, on being found guilty of a second offense and on subsequent occasions, be subjected to fines in accordance with the circumstances of the case in addition to the penalties to which they are liable under the Provisional Regulations. In the case of persons refusing to pay the tax, notice will be sent to the Magistrate who will compel the shop concerned to close and forbid it to carry on business.

5. Cases connected with the collection of Loti Chuan, not covered by the Regulations, shall be governed by the Provisional T'ung Chuan Regulations.

6. T'ung Chuan Offices en route must be most careful to examine foreign goods under Transit Pass, which are proceeding to the specified destination; they must stamp them as having been passed and give the following particulars: Name of examiner, name of Custom House where duties were paid, number of packages and weight of the cargo, and place of destination. These must all be entered in the Office Register and a notice of the more important particulars transmitted to the next Taxing Office. When the next Taxing Office has examined the goods, it must notify the previous office. When an office en route finds that goods have been allowed to pass a previous office in a negligent way and that the necessary stamp has not been affixed, the matter must be reported. The head of the guilty office and the examiner will each receive a black mark; and the officers of the reporting office will receive a good mark.

On arrival of the goods at their destination, the last Taxing Office must report the particulars of the examina-

tion of the goods and the receipt of the pass at the end of each month. Black marks will be given to those who disobey.

Rules with reference to notices to be sent under Article 6.

7. In places where T'ung Chuan Chu have not been established the purchaser shall pay the tax at the office of the Magistrate to which the Transit Pass has been handed in for cancellation. This office will receive the tax and forward it to the nearest T'ung Chuan Chu for transmission to the Kuo Shui T'ing.

8. The last T'ung Chuan Office which goods pass will send the necessary particulars regarding them to the Magistrate of the place in the case of goods proceeding to a place where no Taxing Office has been established.

9. These Regulations will be included in the T'ung Chuan Regulations when the present Provisional ones are revised.

10. In the event of alteration being required in these Regulations, the head of the Kuo Shui T'ing shall notify the matter to the Board of Finance.

CHINA'S SALT REVENUE

The following report issued by the Ministry of Finance shows the steady increase of China's salt revenue:

From November ? up to the end of December, 1913, the total amount collected, according to the reports from the various districts, was Shanghai Taels 7,640,000. For the present year the following details have been received:

	Shanghai Taels
January	1,887,000
February	1,284,000
March	3,050,000
April	2,869,000
May	3,464,000

From the above it will be noticed that beginning from March the revenue is increasing steadily.

Up to the end of May the total amount collected and paid into the Quintuple Banks is estimated at 10,370,000 Shanghai Taels, of which Taels 2,200,000 has been appropriated for the use of the Central Government, and Taels 480,000 has been applied towards the payment of foreign indemnities.

The following statement shows the amount collected from the different provinces during the month of May:

Fengtien	Mex. $798,000
Changlu	1,325,000
Shantung	1,665,000
Honan	77,000
Yangchow	361,000
Liang Chih	251,000
Fukien	170,000
Kuangtung	323,000

Money standing at the credit of the salt account with the Quintuple Banks to the end of May is as follows:

In Newchwang	Tls. 645,000
In Tientsin	975,000
Tsinanfu	693,000
Hankow	469,000
Shanghai	10,370,000
Foochow	222,000
Canton	236,000

Interest allowed by the Quintuple Banks on salt funds to end of May is given as 19,300.—*Peking Gazette.*

JAPAN AND THE EUROPEAN ARMAGEDDON

BY COUNT OKUMA, PREMIER OF JAPAN.

As one who has been a life-long friend of peace I profoundly deplore the unwelcome fact that mankind somehow seems unable as yet to avoid war. But war, it seems to me, is always due to an unevenness of advancement in the progress of civilization. I have often said, and I now repeat it, that civilization, like water, must find its level; and where its force is obstructed, there will be violence and bloodshed. War is a result of the pressure offered in resistance to the growth of civilization. Anything that tends to destroy a balance of power among nations will lead to disturbance.

The root of the present trouble in Europe, I am inclined to think, lies in the weakness of the Balkan peninsula. Like China, it is a seething crater in the world's diplomacy. The unequal civilizations of that peninsula are in constant clash and antagonism. Disruption would long ago have come but for the unnatural pressure of the great European powers. The small nations of the Balkan peninsula are either constantly clamoring about their own rights or disputing with the larger nations who press them. Consequently, from conditions apparently insignificant in themselves, half the world can be set on fire and plunged into distress and decimation. Europe is to-day a hell of exploding shells and poisonous powder fumes, all emanating from a quarrel between little Servia and Austria.

The present bloody struggle has its origin far back in the past. The details of its germination are more or less complicated. For years Russia has been trying to find an opening through the Balkan peninsula to the Mediterranean. Servia, Bulgaria and Montenegro are all of the Slav race and it is natural that Russia should want to have close connection with them. Russia wishes to establish herself as the leader of the Slavs and exercise supreme influence in the Balkan peninsula. England on the other hand hesitated to encourage the extension of Russian influence further southwards; and she set up Turkey as a barrier, making her secure on the Mediterranean sea. Both the Crimean and the subsequent Russo-Turkish wars were the result of this policy. Both conflicts were most disadvantageous to Russia. As a result of the Berlin Congress she was forced to return to Turkey all that she had obtained by the treaty of San Stefano.

In 1879 came the Alliance between Germany and Austria, which Italy joined in 1882, forming the so-called Triple Alliance. Thus by these three powers and indirectly by Britain the progress of Russia was stayed in its march southward and she had to look for an ice-free port in other directions. In the reign of Alexander II. Russia decided to come eastward, and so she laid down the trans-Siberian railway, reaching the Pacific Coast at Vladivostok. It was in July, 1891, that his Majesty, the Emperor Nicholas II., dug the first sod on the new line reaching the East. Henceforth Russian activity concentrated itself in that direction, finally precipitating the Russo-Japanese war. The results were wholly unsatisfactory to Russia and she failed to secure the open port she sought on the Pacific. While Russia was directing all her energies toward the Far East both Germany and Austria were securing their influence in the Balkan peninsula, and at last Austria in 1908 annexed Bosnia and Herzegovina, which had only been under the protectorate of Austria-Hungary, in accordance with the treaty of Berlin. But both the annexed nations had formerly been a part of Servia and most of their population was in sympathy with that country religiously and otherwise. At the time of the annexation Servia bitterly opposed the action of Austria, and was about to resort to arms, for the two countries lie between herself and the Adriatic, and it was natural that she should want them to be either a part of her own territory or in sympathy with her. Russia at that time showed every sign of sympathy with Servian ambitions, but she knew that if she attempted to act on her sympathies Germany would interfere on behalf of Austria. In fact, the Kaiser publicly stated that Germany was wholly on the

side of Austria. When Servia was given to understand that she could not then count on the active support of Russia in the event of a rupture with Austria, she drew in her horns. Russia was obliged to take this position owing to the war with Japan. Of course Russia at once began to lose influence in the Balkans. And hatred of Austria by Servia became all the more intense. There was a studied movement to upset the influence of Austria, in which the Slavs of Bosnia and Herzegovina shared.

All these bad feelings were rendered still more acute by the results of the recent Balkan war. Servia having no coast line, had to despatch all her exports and receive imports through Turkish territory; and out of her victories in the Balkan war she tried to secure a port on the Adriatic; but Austria being moved by the same ambition, there was a conflict of interests, leading to the rise of the independent state of Albania on the coveted coast. These conditions tended to sever relations between Servia and Austria. The last straw was the assassination of the Crown Prince of Austria by a Servian fanatic, in which conspiracy there was evidence that high Servian officials had some part. At any rate, the affair became extremely complicated; and the Austrian Government sent a note to the Servian authorities demanding acquiescence in conditions threatening the sovereignty of the latter; and as the reply of Servia was not satisfactory war was declared against her by Austria. Russia to save her influence in the Balkan peninsula avowed her active sympathy for Servia. France supported Russia, and Germany attacked France in aid of Austria, involving Great Britain in the terrible consequences. Britain exerted herself mightily in the cause of peace, trying to bring about an understanding without bloodshed, but the trend of events was against her, and she was obliged to face the conflict against her will. As was seen from the speech of the British Foreign Minister, Sir Edward Grey, delivered in the House of Commons on July 20th, Germany violated the neutrality of Belgium and of the Grand Duchy of Luxemburg, both of which Great Britain had solemnly guaranteed, since the possession of such countries by a sinister power would be a menace to the independence of Britain. As the result, therefore, of great provocation Great Britain was forced to rise to the situation and defend her honor and position by arms.

The resultant war is the greatest, in extent and consequences involved, that the world has ever seen. It is difficult for us to realize that the greatest war of history has begun. Just about one hundred years ago Europe combined to defeat Napoleon. In that struggle France stood alone against Prussia, Austria, Russia and England. But the number of the combatants was less than a million all told. Moreover, the means of communication and the implements of war were as nothing compared with the ways and means of to-day. The results were therefore not so awfully destructive and terrible as in the fray now going on. The numbers now involved equal about ten millions, Germany alone commanding four millions. The machine guns, aeroplanes, airships, wireless telegraphy apparatus, telephones, telegraphs, huge battleships, torpedoes and submarines now used in the destruction of an enemy were undreamed of in the Napoleonic war. The total cost of this war cannot be less than Yen 100,000,000,000, to say nothing of the destruction of European civilization and the losses in property and human life.

But it is not Europe alone that is affected by this terrible outrage upon modern civilization. Europe being the center of the world's monetary circulation, all countries are injured financially. Commerce and shipping are likewise unfavorably affected. The fact was brought home to us in Japan when on the outbreak of the war in Europe we could not so much as draw a foreign bill of exchange. As the nations at strife possess colonies in various parts of the world, the war will spread everywhere. From Northern Canada to Central Africa, and from Britain to Japan, all are involved. Even Australia, New Zealand and the islands of the South Seas will not escape. Japan, too, has to do her part, and has already been entrusted with the protection of shipping in Far Eastern waters, obliging her to dislodge Germany from occupation of Kiaochou. Japan must maintain the peace of the Far East at all costs; and as Germany has begun to capture and interfere with shipping in these waters, our duty is plain. Such is the meaning of the Anglo-Japanese Alliance: it was concluded for just such an emergency as this. We owe it to ourselves and to our ally to take the course we are adopting. Japan has no desire to resort to arms without undoubted necessity. But we must do our duty and sustain peace. We are the only people at this moment who can guarantee peace in the Far East. How great, then, is the mission of Japan!

It will be our one ambition at this time to show the West what it is slow to believe, that we can work harmoniously with great occidental powers to support and protect the highest ideals of civilization, even to the extent of dying for them. Not only in the Far East, but anywhere else that may be necessary, Japan is ready to lay down her life for the principles that the foremost nations will die for. It is to be in line with these nations that she is at this time opposing and fighting what she believes to be opposed to these principles. She entered the Alliance with Great Britain to stand for and die for what Anglo-Saxons are everywhere ready to defend even unto death. It is Japan's aim and ambition to participate in all world-movements toward noble diplomacy, international relations and the principle of equal opportunity and peace, and to prevent by the proper means the outbreak or continuance of bloodshed between nations. Japan's relation to the present conflict is as a defender of the things that make for higher civilization and a more permanent peace.

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APROPOS of his last public appearance, at the dinner given in his honor by the Asiatic Institute, we took occasion to refer to Mr. William W. Rockhill as a mediator between the East and West. His untimely death has rather accentuated the importance of the rôle which he filled with unique ability, because it has brought into prominence the fact that no other American can possibly take his place. Apart altogether from the special training, experience and acquired knowledge, all converging on the efficient discharge of a deliberately adopted function, Mr. Rockhill had an endowment of tact, temper and sobriety of judgment which made him a thoroughly capable exponent of the sentiments of China toward the rest of the world, as well as of the feeling of the rest of the world for China. As representative of the United States at Peking, Mr. Rockhill was sometimes accused of lack of sympathy with the efforts of his countrymen to promote commercial and financial enterprises and enlarge the boundaries of their trade. But the fact is that he was too conscious of the insecurity of the foundation on which the new structure of concessions and special privileges was being built to find it possible to be enthusiastic over their returns. Americans appreciated probably less than men of other nations the enormous advantage which their country enjoyed by being represented in China by one who possessed the confidence of all representative Chinamen so thoroughly as Mr. Rockhill did. There were few if any other men of foreign origin to whom the Chinese were so ready to accord the reputation of being the sincere and unswerving friend of their country and their people. Among the statesmen of the old régime, as among those of the new, there was a ready disposition to repose in Mr. Rockhill a degree of confidence rarely accorded to a foreigner, and throughout his whole public life Yuan Shih-kai was acquainted with no man of our race whom he so completely trusted or so warmly esteemed. The possession of such attributes made Mr. Rockhill an ideal type of adviser for the President of the Chinese Republic, and his death derives a new sadness from the fact that never were those who guide the destiny of the Chinese people so urgently in need of wise counsel. It is true that there are some men whose place in the activities of the world cannot be filled, and it is at once a tribute to the greatness of William Woodville Rockhill and a serious misfortune for China, that our friend and fellow member was one of these.

A LITTLE over a year ago, the Chinese Premier declared it to be his conviction that "the coming year will be the year which will decide the life or death of the Chinese Republic," and he proceeded to give his views in regard to what was wrong with his country to the extent of twelve columns of a Peking newspaper. The dissolution of the Kuomintang was then still recent, and the breakdown of representative institutions in China was plainly in sight. The majority party had certainly succeeded in making

Parliamentary activity ridiculous. They had practised all kinds of obstructive tactics, had refused to pass any bills submitted by the President, had sought to starve the Government by withholding supplies, and had persisted in sending meaningless interpellations to the President. They attempted to impeach the Cabinet Ministers, and they refused to ratify the Sino-Russian Agreement, the terms of which were the best that the Government could secure. They tried hard to break off the negotiations over the quintuple loan, but they voted for themselves a salary of $5,000 a year. While representing the people in the Capital, some of them extended aid and sympathy to the rebellion, and after the revolt was crushed they plotted against the life of the President. In making a clean sweep of this impracticable body of short-sighted partisans, the President let it be known that he never had any intention of dissolving the Parliament, which, in his opinion, cannot be dispensed with in a Republican Government. But Yuan has, nevertheless, got along very well without a closer approach to a Parliament than is involved in the existence of the Council of State and the Republic has weathered the year which was going to decide the question of its life or death. It would be absurd to assume that Yuan's own difficulties or those of the country, over which he exercises practically unlimited sway, are anywhere near an end. But in the development of peace, confidence, and the stability of law, throughout the but lately distracted provinces of China, an enormous advance has been made, and the emergence of a reconstructed, prosperous and progressive China out of the welter of new and old ideas, striving for the mastery, is certainly a better founded expectation than it was a year ago.

THE article on the policy of the United States in China which Mr. Lewis Einstein, formerly First Secretary of Legation at Peking, contributes to this number of the JOURNAL, will be found highly interesting and suggestive whether or not the reader endorses the strictures and agrees with the conclusions of the author. There will, we think, be general agreement with his opinion that there can be no such thing as an isolated American policy in China. There are those, besides our own people, who sincerely desire the preservation of the administrative and territorial integrity of the Chinese Republic, and we shall certainly be able to do little to defend China against her enemies from without and from within, unless we are prepared to co-operate with others who are as disinterestedly her friends as we can possibly be. The present Administration in Washington must be assumed to know a little more than it did in March, 1913, of the ways in which we can best promote the cause of human progress in China. It may even have grasped the fact that if we have nothing better to offer the Government of China than the expression of admirable sentiments, it would be well to confine ourselves, in regard to the general conduct of its affairs, to the position of a sympathetic onlooker. Much addicted as the Chinese themselves are to platitudinous pronouncements on matters requiring practical treatment, they are quick to take note of that form of evasiveness in others. The acumen and intelligence which Mr. Einstein brings to the treatment of a subject which he has had the advantage of being able to study at close range, are surely not unobtainable in Washington, and the ability to appreciate, as well as the readiness to take advantage of such qualities, ought not to be wanting. There are, undoubtedly, more pressing diplomatic questions than those which concern our relations with China, but there can hardly be any of more vital importance to the future of this Republic. There are certainly none in regard to which there exists a greater amount of misunderstanding, and as to whose true character there prevails so much ignorance. Mr. Einstein has tried, with conspicuous force and ability, to correct the one and dispel the other. He has opened a discussion as momentous as it is interesting, and it need hardly be added that the columns of the JOURNAL may be freely used for any competent criticism of his views or expansion of his arguments.

WHEN graver problems are occupying the minds of men, the progress of Russia and Japan in the "peaceful penetration" of their respective spheres of influence in Manchuria passes almost unnoticed. It seems already to belong to a remote past, and yet it was only in October, 1909, that a preliminary agreement for the construction and financing of the Chinchou-Aigun Railway was signed at Mukden by a representative of the Chinese Government and by the representatives of the American banking group and the British contractors, Pauling & Co. This line, running to the west of the existing track from Harbin to Port Arthur, would have outflanked Russians and Japanese alike. While it would have secured an independent connection between Peking and the Trans-Siberian Railway, it would for that reason have been fatal to many of the military and commercial advantages which were supposed to have been acquired by Japan through the Treaty of Portsmouth. Hence the declaration of the Japanese Minister to the Wai Wu-pu that the Government of Japan looked upon the construction of the railway as a matter of great importance in its effect upon the prosperity of the South Manchurian Railway. He, accordingly, proposed that Japan should participate in the construction of the railway by sharing in the loan and furnishing engineers and railway materials. Hence, also, he submitted the further condition that in order to connect the Chinchou-Aigun Railway with the South Manchurian Railway, China should construct a branch line from some station on the former toward the southeast to some station on the latter. The Russian declaration was even less conciliatory and intimated that the Russian Minister in the United States had already received instructions to give Russia's reply concerning the railway to the American Government as follows: "Since America has invited Russia to participate in the construction of the Chinchou-Aigun Railway and has consented to Russia's desire to take time for careful consideration of the matter before making a reply, the opinion of Russia is that in not notifying Russia and in not considering that in case Russia did not take a share she would oppose the undertaking, America is conscious of having made a mistake and has therefore stopped the loan negotiations."

BUT now comes the announcement that Russia has acquired from China the right to construct the railway from Blagoveschensk, on the left bank of the Amur River, to Aigun, Mergen, and Harbin, with a connection between Mergen and the capital of the Northern Province, Tsitsihar. Commercially this railroad will tap large and rich tracts of territory and give immediate access to the Amur River and to the new Amur Railway which is under construction on the left bank of the river. Politically, the railway will bind this region to Russia and give her at least railroad control over the whole of Northern Manchuria. Above all, the concession places in the hands of Russia what will be the northern section of the Chinchou-Aigun Railway, the construction of the southern half of which has been granted by China to Japan. Some years ago, all this would have been considered a serious blow to American interests, and if these retain any vital connection with the integrity of China, and the maintenance of equality of commercial opportunity, it is difficult to see why it should not be considered so to-day.

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, 1913 and 1914.

EXPORTS TO CHINA.

Months.	Cotton Cloths. Yards.		Mineral Oils (illuminating). Gallons.		Wheat Flour. Barrels.	
1913						
January	7,096,890	$481,040	2,988,096	$134,464	11,264	$44,611
February	7,005,113	489,324	3,385,530	293,367	35,988	139,183
March	8,576,182	561,677	7,817,080	442,421	47,313	178,385
April	10,679,063	743,675	7,110,600	642,584	19,450	76,933
May	14,491,282	1,022,369	13,645,100	955,947	240	971
June	11,866,362	835,725	13,914,180	1,178,370	100	400
July	13,861,576	947,287	7,367,800	400,559	8	48
August	5,839,825	398,458	2,029,963	101,498	3,128	12,545
September	12,196,195	815,514	7,188,242	388,354	13,763	53,191
October	8,478,971	606,864	5,586,934	403,697	36,881	150,509
Total	100,021,459	$6,901,933	71,033,525	$4,941,261	168,135	$656,776
1914						
January	5,834,057	374,844	5,862,678	550,580	20,438	83,928
February	5,917,505	386,094	3,933,710	365,668	9,128	37,567
March	3,480,246	234,926	10,357,055	761,109	6,842	25,543
April	7,774,295	523,534	10,576,471	850,158	1,192	4,960
May	4,649,948	343,630	6,672,558	633,491	863	3,825
June	5,039,603	353,991	13,673,612	986,760	2,565	11,277
July	3,291,763	263,090	16,200,906	1,035,214	2,940	11,819
August	354,756	28,435	.....	.....	1,636	7,182
September	115,112	10,279	9,872,856	473,218	5,567	22,635
October	1,866,093	110,507	4,130,181	280,692	9	38
Total	38,323,378	$2,670,356	81,280,027	$5,936,890	51,270	$208,774

EXPORTS TO HONGKONG.

1913						
January	636,832	$43,454	1,425,810	$151,888	60,862	$228,941
February	163,478	25,420	.....	.....	102,121	410,463
March	196,668	29,815	.....	.....	129,461	492,019
April	211,034	33,938	1,195,000	117,707	120,249	478,075
May	161,310	26,267	2,311,000	212,612	160,755	642,322
June	109,841	17,046	2,235,000	205,620	76,636	308,268
July	101,998	16,568	3,659,160	258,103	143,689	572,237
August	155,718	20,489	.....	.....	49,897	202,209
September	109,192	16,476	487,143	45,342	27,423	105,366
October	132,835	20,351	2,755,658	161,053	157,358	617,471
Total	1,978,906	$249,824	14,068,771	$1,152,325	1,028,451	$4,057,371
1914						
January	26,947	4,210	3,069,936	154,129	156,240	630,482
February	37,817	5,925	2,313,350	137,351	45,483	182,177
March	25,151	4,034	60,770	6,182	84,138	328,602
April	34,782	4,823	2,591,000	145,570	37,677	148,345
May	68,994	10,245	1,650,000	74,250	19,915	76,043
June	22,030	3,856	1,706,300	170,630	52,982	202,709
July	5,612	1,588	2,301,531	207,341	118,225	452,024
August	8,249	1,157	800,000	70,800	22,540	86,240
September	4,516	1,263	.....	.....	54,154	212,662
October	7,297	1,290	2,169,434	108,472	59,653	244,467
Total	241,395	$38,391	16,662,321	$1,074,725	651,007	$2,563,751

DEPARTMENT OF COMMERCE,

Bureau of Foreign and Domestic Commerce.

WASHINGTON, D. C., December 15, 1914.

Imports of Tea and Silk into the United States for the ten months, ending October 31, 1912, 1913 and 1914.

TEA.	1912.		1913.		1914.	
Imported from	Pounds.	Dollars.	Pounds.	Dollars.	Pounds.	Dollars
United Kingdom	8,453,931	2,591,923	10,581,539	3,124,722	11,798,296	3,234,463
Canada	2,290,524	677,140	2,464,209	721,212	2,821,249	756,724
China	22,304,725	3,093,936	14,819,562	2,006,385	16,761,069	2,318,935
East Indies	11,072,360	1,824,241	7,606,649	1,275,413	9,526,866	1,621,132
Japan	37,726,269	6,832,940	36,061,319	6,286,718	39,498,812	6,998,531
Other countries	791,352	156,384	810,829	158,200	1,082,497	217,784
Total	82,639,161	15,176,564	72,344,107	13,572,650	81,488,789	15,147,569

RAW, OR AS REELED FROM THE COCOON. SILK.						
Imported from	Pounds.	Dollars.	Pounds	Dollars.	Pounds	Dollars
France	72,902	260,190	70,535	180,965	64,527	243,003
Italy	2,072,564	7,566,731	2,119,013	8,203,195	1,681,105	7,479,581
China	4,053,344	9,968,388	4,744,329	11,570,824	3,829,701	10,507,653
Japan	13,152,424	42,398,134	15,167,386	48,949,090	16,010,275	59,196,919
Other countries	137,859	448,586	239,400	859,541	193,326	764,744
Total	19,489,093	60,642,029	22,340,663	69,763,615	21,778,934	78,191,900

THE AMERICAN ASSOCIATION OF JAPAN

ANNUAL REPORT

Meetings: During the year regular monthly committee meetings have been held besides a number of extra ones called to consider special matters requiring prompt attention.

Committee: A few changes in the personnel were necessitated by the retirement of some of the members from Japan. Owing to the departure of Mr. E. G. Babbitt, who finally decided to settle permanently in Seattle, Mr. S. E. Armstrong very kindly accepted the position of Secretary. Mr. R. S. Cole having to travel in Chosen and Manchuria, Mr. J. B. J. Gibbs kindly consented to act as Treasurer and has done excellent service. On the departure of Mr. Howard E. Cole for New York, Mr. H. A. Ensworth was invited to join, and on the departure of Mr. S. E. Armstrong, Mr. F. W. Horne was invited to take his place.

Honorary Members: During the year H. E. Ambassador Geo. W. Guthrie, Mr. E. G. Babbitt and Mr. Howard E. Cole were elected as Honorary Members in recognition of services specially rendered to the Association.

Change of Name: By a resolution proposed and unanimously carried at the Annual General Meeting held on Oct. 30th, 1913, the name of the Association was changed to The American Association of Japan. The action has since been fully endorsed by the Parent Organization in New York.

His Excellency Ambassador Geo. W. Guthrie was tendered a dinner on Dec. 29th at the Grand Hotel. About 55 members were present and the evening proved very enjoyable, one of the pleasing features being the attendance of many of the Tokyo members. Advantage was taken of the occasion to present to Consul-General Thomas Sammons a fine Waltham watch suitably engraved, to serve as a slight token of the high esteem in which he is held by the members of the Association.

Consul General Sammons left early in the year to take up his duties at Shanghai, and in going took with him the best wishes of the American Community.

Consul General Geo. H. Scidmore arrived in February, meeting with a hearty welcome from his many friends.

Memorial Day: The usual Memorial Day Exercises were held under the auspices of the Association. H. E. Ambassador Guthrie presided and delivered a most appropriate address. There was a good attendance and many members of the Embassy and guests were present. The day being overcast the exercises took place in the Gaiety, and owing to the heavy rain which came on towards the end, the distribution of the flowers had to be postponed to the following day. The committee wish to tender their thanks to the American ladies who took such special interest in the floral arrangements and to the musicians who, under the direction of Mr. C. H. Thorn, contributed so much to the success of the services.

Independence Day: National mourning still being observed in Japan the usual public celebration was abandoned, but prizes were given to the winners of the Golf tournament and Yacht races.

Japanese Language School: The result of the First Year's work is considered very encouraging, and arrangements are being made to continue it for the next year.

Charity Fund: On the departure of Mr. Sammons the balance remaining was handed to Mr. Scidmore for disbursement in consultation with Messrs. Isaacs and Gibbs.

Financial Statement of the Hon. Treasurer is submitted herewith. It shows a falling off due mainly to the reduced membership and hard times caused by the general depression and state of war.

Membership: Owing to the departure from Japan of many members, the number has decreased, there being at present some 61 resident in Yokohama, 24 in Tokyo and 3 Honorary, 88 in all against 114 in 1912.

H. W. Denison: It is with profound regret that we have to record the death of our very distinguished Honorary Member Mr. H. W. Denison, the sad event taking place at Tokyo on July 3rd. A very excellent account of his life and work is to be found in the August number of the Journal of the American Asiatic Association.

We also have to record, with deep regret, the death during the year of Dr. E. M. Shipp and Dr. F. O. Wolff.

The retiring committee, in tendering its resignation, beg to extend thanks for the co-operation of the members during the past year, and to solicit for the incoming committee the same generous support.

E. W. FRAZAR, *President.*

Yokohama, Japan, October 20th, 1914.

WILLIAM WOODVILLE ROCKHILL

The brief cablegram from Honolulu on the 8th of December announcing the death there of W. W. Rockhill, American diplomatist and Asiatic scholar, conveyed to the minds of that man's friends a sense of loss irreparable.

The friend of his friends was gone, taken in the full tide of interesting life, but of greater moment was the fact that his country had lost an eminently useful and valuable citizen.

There passed in W. W. Rockhill the most experienced, and, withal, the most successful American diplomat of the time. No other man connected with the American diplomatic corps equalled him in length or in range of service, and throughout his long career he maintained a superior quality of representation of his country's interests which entitled him to our grateful admiration and our utmost loyalty. His natural strength, supplemented by thirty years' practical experience, qualified him for the premier place in our State Department, yet—victims that we are of our own absurd system of foreign representation—it was possible for this trained and proven man actually to be turned out of our diplomatic service to make place for one whose sole recommendation was that he had contributed money and political effort and influence to the campaign which elected Mr. Wilson President. This is not a criticism of Mr. Wilson's act; it is rather an expression of regret for an indefensible practice which we permit to exist. It is to our general shame that Mr. Rockhill should have been compelled to accept service in a foreign government. Dismissed from his own government at a time when his ripe talents made him most useful, he was engaged as adviser to President Yuan Shih-kai of China, who, through long association with him, was able justly to estimate his value. He was en route to his post at Peking when his death occurred.

Mr. Rockhill was more than an able diplomat. He was a scholar of wide learning and varied interests, and he had won the somewhat unique distinction of being an authority on both the Near East and the Far East and on Central and South America as well. He knew the languages and the literatures of these groups of countries; he knew their histories and their customs; he knew their peoples and had mastered the intricacies of their politics.

He was a traveler honored by other great travelers. His journey into Thibet, then a geographic mystery and a challenge to the adventurous, was the great travel achievement of the time. Sven Hedin, who came long afterward to claim fuller glory in revealing Thibet, pays generous tribute to what Mr. Rockhill did in that forbidden and forbidding land.

Mr. Rockhill was not a man destined to a life "centered in a sphere of small duties." The future of the man was forecast in the ambitions and the activities of the boy. Sent to France for his education, he entered and was graduated from St. Cyr, the school where the French Republic trains its soldiers. He took a commission in the Foreign Legion and served three years in Algeria, years of interesting adventure spiced with the zest of danger. It was there that he received the mental stimulus of contact with strange peoples that resulted in the career which he followed with such honor to his country and to himself.

China attracted him at that period more than any other land, and he resolved, if possible, to go there. He sought and obtained appointment as second secretary of the American Legation and in 1884 reported at Peking for his first diplomatic duty. He continued in that capacity for four years with occasional absences from the capital devoted to seeing and studying the then little known interior of China and the adjacent countries. On one of these expeditions he served for a time as Charge d'Affairs at Seoul, Korea.

It was during these years that he equipped himself in language and information for his more important researches and his more responsible service of later years, and planned the scientific journeys in China and Thibet which he made under the auspices of the Smithsonian Institution. This experience, the record of which should be read by all who are interested in Asia, consumed four years, and at its conclusion Mr. Rockhill returned to the State Department as chief clerk. One year brought him promotion to the office of third assistant Secretary of State, and shortly afterward, in recognition of his already demonstrated value as an authority on international relationships, he was made assistant Secretary of State. This was in 1896.

In 1897 he was appointed Minister to Greece, Roumania and Servia, but gave up this post after a short tour to become director of the International Bureau of American Republics, forerunner of the present great Pan-American Union. Here again, in a sphere so different, so widely removed from any other in which he had labored, he displayed an informed and direct diplomacy and a rare capacity for organization which even yet are felt in the tenor of our contact and dealings with the South American Republics.

In 1900 he was withdrawn from this work, in which he had become very deeply interested, and was asked to under-

take the most important diplomatic mission of his entire career. In the dark hours of the terrible Boxer explosion President McKinley named him as special commissioner to China. Mr. Rockhill was a Democrat, but Mr. McKinley disregarded this fact, knowing that he had in him a strong, courageous and honest man, a trained diplomatist and an authority on international law. Mr. Rockhill hastened to Peking and remained there through all the difficult period of adjustment following the relief and capture of the city and the restoration of the Chinese government. It was he who, in behalf of the United States, signed the final protocol in September, 1901, more than a year after the entrance of the allied armies into Peking.

Returning to the United States, he resumed his duties at the Bureau of American Republics, this time for a period which lasted four years. In 1905 he was appointed Minister to China, and it was, perhaps, upon the quality of the service he rendered at Peking in this capacity that his strongest claim to his country's gratitude and admiration was based. Our political system does not permit us frequently to enjoy the distinction of being represented at a foreign court by a man so pre-eminently fitted to discharge the duties peculiar to his post. Mr. Rockhill knew China and the Chinese as few men know any country or people, even their own. And he enjoyed the wholesome respect and the warm personal regard not only of the men in the Chinese government, but of his diplomatic colleagues as well. He was a mine of such information as can be acquired only through long years of intensely interested effort.

I recall with pleasure and a distinct sense of patriotic pride a short season of association with him in Peking. Our Legation there—the only one, by the way, for which we do not have to offer any sort of explanation or apology—had just been completed under his direction. Built of dark gray stone and standing in the shadow of Peking's ancient inner wall which skirts the Legation quarter laid waste so short a time before in the Boxer Rebellion, it looked stern and bare and formidable enough, but even then the wide compound with its parade ground, its barracks and its high grim walls was beginning to assume the bright aspect of a well-kept garden. In the Minister's residence, an adequate building which stands apart in one corner of the grounds, one encountered a delightful hospitality and an atmosphere of dignity wholly befitting, while in the office building at the opposite side of the compound an efficient staff attended to the Legation's official business in a very businesslike environment.

As our Minister Mr. Rockhill was always ready with such information and assistance as his traveling fellow-countrymen required of him, but, the day's work done, there are many no doubt who will gratefully remember the privilege of meeting him in his book-lined study as the scholar only, the keenly intelligent searcher after the hidden, the friendly leader of any eager mind into paths unworn, untrodden save by himself and the rare few who had either gone before or had followed in his footsteps. He was a man of extraordinary mental bent and possessed of a boundless enthusiastic curiosity.

In 1909, after being designated Ambassador Extraordinary to represent the United States at the funeral ceremonies of the Empress Dowager and His Majesty the Emperor of China, he was made Ambassador to Russia. He waited long for this highest recognition and reward, having by that time spent twenty-five consecutive years in our foreign service, but he shared the opinion of most intelligently patriotic Americans that such a career was unusually desirable and would be gladly adopted by many able men if consecutive service for the efficient could be assured, if training could be regarded as a qualification, and if a consistent and dignified policy of foreign representation could be established by the American government. His career might be cited as a criterion. He was only 58 years old and ripe with the honor of high achievements when he was dismissed from our diplomatic corps.

His last post was Constantinople, and his transfer there from St. Petersburg was exceedingly gratifying to him because it gave him an opportunity for further inquiries into certain Near Eastern problems which had engrossed his thought since he first encountered them fourteen years before when he was Minister to Greece, Roumania and Servia. He foresaw the struggle that was to come in the Balkans and subsequently to involve all Europe in war, and, as the hour had already struck and the struggle was on, the opportunity to be on the ground and to get a first-hand grasp of the situation appealed to his keen and questioning mind with great force. He remained at Constantinople until the Democratic Administration deprived the country of his counsel.

Following his retirement from our diplomatic organization he made a tour of the Far East with the special purpose of studying events and conditions in Mongolia. He made a brief halt at Peking to visit old friends and old haunts, and it was then that proposals looking to his engagement by the government of China were made. The President of China will have some difficulty in finding another American so splendidly qualified to serve him.

Mr. Rockhill was born in Philadelphia in 1854. He was a man of unusual physical as well as mental distinction and his friends were wholly unprepared for his untimely death. He was apparently in splendid health and vigor when they took leave of him as he started on his last journey to the Orient. He was married in 1900 to Miss Edith H. Perkins of Litchfield, Conn., and she and their two children survive him.

ELEANOR FRANKLIN EGAN.

JAPAN AT TSINGTAU AND AMERICAN POLICY

BY LEWIS EINSTEIN, FORMERLY FIRST SECRETARY OF THE AMERICAN LEGATION AT PEKING.

If the Great War is likely to affect the future of the United States, in more ways than is commonly realized, the Japanese siege of Tsingtau has perhaps been the first event to awaken our appreciation of the different points of contact with its political aspects. The excitement provoked by its news has fortunately subsided before statements from Washington that in view of assurances received, there existed no cause for apprehension. It can hardly be doubted, however, that greater misgivings are entertained as to the future, than could officially be admitted. Whether these are justified or not will depend largely on the policy we shall pursue.

German indignation at the siege is readily comprehensible. Berlin had been reconciled to the temporary loss in case of war of all her other colonies. Firm confidence prevailing as to the outcome, it was felt that the peace negotiations would restore these with interest. But at Kiau-Chau the situation was different. It had been a pet of recent years, upon which forty million dollars are said to have been lavished. No less was hoped from it as a center of infiltration than as a colony. To Germany, perhaps, more than for any other country, the future of China was indifferent. While ready to commit herself to the "Open Door" in order to associate her diplomacy with ours, her predilections, unlike our own, were by no means, exclusively in that direction. With characteristic realism she was prepared to benefit either by that or else by a reversion to the "Spheres of influence," almost without preference as to which prevailed. The important thing was not the policy but the benefit. If China attempted reconstruction, Germany was ready at all times to lend her assistance toward a military reorganization. Economic advantages and Krupp contracts were always certain to follow, while the hope could even be entertained of finding in a strong China, a new and greater Turkey able to act as a partial counterpoise to Russia, and perhaps eventually to menace even India. Should, however, the long threatened break-up of China become imminent, Tsingtau, instead of a wharf became the kernel for a future German colonial empire which might extend beyond Shantung to embrace Honan and Shensi. The exceptional favor shown to this tiny colony of barely two hundred square miles, all points to the double intention of utilizing it intensively whatever occurred.

The German plans had taken into account a defense against all the world except Japan. The strength of fortifications around Tsingtau coupled with the naval forces in permanence there, rendered a successful siege practically impossible for any other nation to undertake. To its considerable garrison could be added thousands of German reservists scattered throughout the Far East and ordered to report there in case of war. Russia might possibly have attempted such capture aided by the British Far Eastern Squadron. But Germany knew that Russia would not do so because of her diplomatic arrangements with Japan. Having been driven out of Port Arthur, it was not to be supposed that she would be allowed to obtain a new foothold opposite Korea. Anger against England for having supposedly incited Japan was the more violent because of the latter being the only country except ourselves to which Germany could not expect to dictate terms, even though victorious in Europe. To recover Tsingtau another war would be necessary which became impossible without a base in the Far East for naval operations. Hence the indignation at what is realized as a permanent loss and probable death blow to German political ambitions in China.

Viewed in this light it may be that our regret at seeing Japanese mastery exchanged for German is inopportune. We have, perhaps, allowed ourselves to be unduly impressed in the past, at the assistance occasionally rendered by German diplomacy in the Orient, without appreciating the companionship its isolation sought, or the purely opportunist nature of its objectives. It was wise to avail ourselves of it but wiser still if we kept eyes as well as door open in China. Certainly, the disappearance of German rule is, even for us, no unmixed evil. The elimination of a political foothold in a colony containing the necessary base for vast political ambitions, should rather prove welcome, in checking a permanent temptation and forcing Germany to henceforth support in all sincerity and without ulterior purpose the "Open Door" policy and the integrity of China.

The substitution of Japan is less desirable though by no means unexpected. Assurances have apparently been given by Tokio of the intention to restore the territory to China, but it is doubtful if this will comprise more than the vague acknowledgment of sovereignty. Our objection lies in change of masters, and seeing a nation already powerful on the Asiatic mainland increasing its prestige and its holdings. Unless British participation in the siege has been sufficient to exercise a countervailing restraint it is not probable, after the sacrifice of life and treasure which the capture of Tsingtau must entail, that the territory will be restored to China. Japanese diplomacy is a past master in the art of amphibious arrangements characteristic of the East. If it is to be judged by its previous record in the Liao-tung peninsula unless it should demand elsewhere equivalent compensation it will be more inclined to take over the long lease on which German tenure reposed. Reiterating previous assurances regarding the "Open Door" and reaffirming respect for the integrity of China, it probably will take calm possession of its conquest and proceed to develop the careful German beginning in the same systematic way as in Korea and Southern Manchuria. The problem to realize is the extent to which this occupation affects us and what course of action commends itself in consequence.

Our interest in China rests on various foundations. In addition to the desire for trade which already a century ago attracted the Boston clippers to Canton, a strong American moral influence exercised through educational, philanthropic and religious institutions has acted as a sentimental tie. We felt our ability to perform civilizing service and a wise record of a territorial disinterestedness proved the most convincing argument for our sincerity in dealing with a proud people. It has repeatedly been noticed that the only foreign stamp which left permanent impress on Chinese educated abroad was ours. Such confidence and respect has been for us and should remain a national asset.

China, moreover, has been the earliest point of departure for our diplomacy from its previous exclusive attention to the Monroe Doctrine. For the second time an American impress was given to a former British suggestion, and in advocating the "open door" John Hay achieved our first important diplomatic victory outside the Western Hemisphere. It is only natural that the various sentimental and traditional interests possessed in the Far East should confirm the wish to preserve a policy comporting no selfish advantage, and as much in the interests of China as to the world at large. But no policy can be judged exclusively on its merits, or without regard to the risks it comports. However great our sympathy or our readiness to assist China, it is apparent that American public opinion would rightly never countenance a war undertaken for the sole purpose of defending Chinese integrity or the "open door" against attack. Our diplomacy must necessarily stop short at the point beyond which it requires armed support.

The commonplace nature of this remark becomes less obvious when confronted with the extraordinary measures which not very long ago had characterized our Far Eastern policy. The successive steps taken in attempting to neutralize Manchurian railways had as their chief result to cast suspicion on our motives, and reconcile two adversaries who preferred to divide their spoils rather than abandon them in their opinion for our benefit. In the cognate venture of the so-called Chinchow-Aigun railroad which was to run parallel to the Russo-Japanese road, although we associated a British private enterprise with our own, and unselfishly allotted to it the task of construction, while we preserved the less desirable financial arrangements, the brunt of the diplomatic battle and defeat fell upon us. Our error in attempting both came from underrating the influence of other powers, and overemphasizing the special importance of Manchuria by believing that if it could be saved, China would at once be put on her feet. In reality the canker lay far deeper. The introduction of American interests into the three Manchurian provinces could have had but slight effect in assisting the then Middle Kingdom, but might have proved far more dangerous to us than at the time was realized. Fortunately our ill success proved our salvation. We only deceived ourselves through magnifying the utility of a railway to arrest Chinese decay, and gave unnecessary offence at both Petersburg and Tokio.

Had the problem been presented in a somewhat different light, it is probable that we might have been spared rebuffs and accomplished something more durable for the purpose in view. The question was not how we were going to save China against Russian and Japanese aggression, but if China would be able to save herself from her own disintegration and in what manner could we best assist her without incurring undue risk. Moreover, if all our efforts should prove partially or wholly ineffectual how could we secure the necessary freedom for American trade and the continuation of American influence in legitimate fields of development.

If this is a fair approximation, steps of a different kind had to be pursued, which involved perhaps a certain amount of necessary disillusionment. There can be no doubt that among the reasons for American popularity in China at the time of our activity in Manchuria, had been a widely diffused idea prevailing among the young Chinese nationalists, though its source was hard to detect, that we were ready to assist them with our armed strength against Japan. The absurd notion of a Sino-American alliance was even mooted, and not only on the Eastern Shore of the Pacific. It was distinctly unfortunate for hopes of this kind to be aroused though through no fault of the State Department. While apparent temporary advantages may have been the immediate consequence, the keen disappointment certain to follow the discovery that our loudly announced friendly intentions stopped short at the brink of danger, was not conducive to increasing Chinese confidence in the United States. So far as even unconsciously our action lent itself to such construction it was neither adroit nor honest.

After the eccentricities of these efforts in Manchuria it was necessary to re-establish confidence, and a fortunate radical change soon came over our policy. We began to realize that the problem was less one between helpless China and ourselves, than between ourselves and the other powers. Wisely, we set about to remedy previous errors, by arriving at a frank understanding with the nations of Europe and Japan. The new agreements were based upon the principle of co-operation over railway enterprises and a currency loan. Association thus took place in a practical way with powers whose intentions were in certain cases less altruistic than our own but whose possible unfriendliness could be moderated by our influence and deviated by the prospect of financial advantage. Without risk of any kind we were able in this manner to render real service to China by standing on a footing of equality, and avoiding all semblance of grasping predominance through the pursuit of exclusive advantages. Judged by the tests of diplomacy, this new policy was eminently sound and could it have been persevered in, should have accomplished the purpose desired.

From a domestic point of view, however, a grave initial mistake had been made by unduly restricting the basis of our financial force, instead of making it representative of the country at large. This error had originated at the time of taking up the proposed enterprises in Manchuria and had unfortunately remained uncorrected when our

policy changed and broadened. A semblance of justification was thereby given to attacks made against "dollar diplomacy" and the supposed unholy alliance between the State Department and Wall Street. While the motives of both were above suspicion, yet the country ill informed as to the situation, and with insufficient attention paid to its legitimate demands for information, turned these into violent criticism. The bankers, who had hitherto realized no advantages, were only too anxious at a time of financial stringency and darkened horizon to terminate an enterprise which had been the source of much annoyance without hope of commensurate benefit. Having undertaken the work largely as the result of an appeal made to their patriotism, they found their motives misconstrued and sinister intentions most unjustly lent them. Their desire coincided with that of Mr. Wilson who newly inaugurated, was eager to avoid all semblance of intimacy with the financial forces of New York. Almost the first act of his administration was without further consideration, to put an end to the association with the bankers, and as a direct result of this, with the somewhat astonished foreign powers in co-operation with whom we had been working. The aspects of the question so far as they affected our broader interests in China or the future of American policy, were all waived without more ado. Mr. Wilson thus played unconsciously into the hands of a Wall Street which concealed its gratitude for rescuing it from an unprofitable contract, but whose dupe he has been in this perhaps more than he has ever suspected. In defence of his position Mr. Wilson came out with a statement expressing fear lest the continuation of our previous policy might imply touching near to the administrative independence of China. It is not unlikely that greater familiarity with the question than the time at his disposal permitted, would have convinced him that the administrative independence of China had so long been endangered and possessed so little inherent vitality that the possibility of any collective control, far from increasing the peril, lessened it; and that we neither benefited China by withdrawing her only disinterested friend, nor ourselves in the future economic development of the Far East.

Once more we reverted to our ancient haphazard position of uncertainty veneered by a certain ostentation of proferred services toward China, to bring our diplomacy at least superficially into line with present day fashion. But the value of such services in excess of what had previously been accomplished, has as yet not transpired, while our own benefits have failed to impress themselves on the layman. Without the strain of a European crisis the disadvantages of our position would probably have become far more noticeable. As it is, we find ourselves perplexed in our diplomatic isolation at a time when Japan is about to occupy Tsingtau. Not wishing to make too active remonstrances which might cause us to drift toward an impossible alliance with Germany, we are obliged to accept at their face value such assurances as Japan has been fit to give. Few things as so certain, as that for the present we cannot do otherwise. The future of Tsingtau will, however, largely depend on our policy at this time. For the present, Chinese recovery of ceded rights need not to be considered, as provisionally at least, remaining outside the realm of practical politics. The actual question must regard Tsingtau not as an isolated instance, but as part of a situation embracing the full extent of our relations with Japan, and which involves a frank recognition of the existing position.

The questionable expediency of badgering Japan because of her action in Manchuria has already been noticed. Restraints of trade by her agents there, have more often been alleged than proved. Certainly her underselling us in the piece goods business which was long a favorite grievance had rather been due to greater economy of distribution and sale, than to surreptitious causes. Our frequent complaints were not always justified and contributed not a little to the unfortunate atmosphere of irritability which has arisen. On our own side of the Pacific we are compelled by urgent reasons in many cases above our control, to adopt certain measures which even if warranted cannot avoid giving legitimate offense to a proud nation. But while aiming to restrict such unpleasantness within as narrow limits as we can, and wherever possible to remove the sting of specific legislation by wise exceptions, it is the height of folly, for us in isolation to seek gratuitous grievances in what after all are regions of secondary importance. Could we only realize it, we would see that our main interest lies rather in the conditions of Japanese stewardship of her Chinese possessions, and in demanding that such territorial encroachments should be administered according to recognized principles of equity and fair play. In a nutshell, we cannot prevent the decay of China, least of all with the means we are willing to employ. What can be done is to demand that such territorial encroachments as are unavoidable should respect the ultimate hope of reversion to China, and the rights of neutrals.

It is plain that such request on the part of our diplomacy would have far more chance of success if it were presented by us not as an isolated power, but as a member of a group of nations with more or less common interests. If the assurances which Japan has voluntarily given regarding her future attitude at Tsingtau should cease to be as satisfactory in the future as they are now declared, she would be more inclined to resent demands for explanation or remonstrances coming from us singly than if we acted in unison with other nations. More than this, Japan forming part of a concert of which we also were a member, would be likely to refrain from acts of a nature giving umbrage, or lending themselves to justifiable criticism.

In spite of the present war, the principle of concerted action in diplomacy is no passing phase nor will any millennium restore the splendors of isolation. In a survey of the future, unless we are willing to subscribe to the lessening of means of communication, it is apparent that nations will become more, rather than less connected, and as such will often find it advantageous to pursue identical lines of policy especially in Oriental countries. The marked reluctance to enter into any concerted action involving the slightest responsibility has been among the most pronounced fallacies of much American diplomacy in the

past. While endeavoring thereby to secure a moral sanction for our interpretation of the Monroe Doctrine, it failed utterly to accomplish this, and imposed on our policy a rigidity and absence of suppleness which deprived it in great measure of utility as a free instrument in sustaining oversea interests. In the Far East especially, as already noticed, we have, at times, maneuvered, because of this isolation, into positions involving considerable risk without substantial cause or hope of commensurate benefit. It is inconceivable that this could have occurred had our pace conformed itself to that of nations whose broad interests in China are not unlike our own though their policy is pliable enough to conform to the shaping of events. Paradoxically we have abandoned our former position of absolute security through a division of risks and benefits, to exchange it for an inferior one presenting far greater danger. The reason has been the present administration's unwillingness to continue its predecessor's tradition. Instead of sustaining such policy on a temporary scaffolding if necessary, and reconstructing it along the lines desired, it swept away good and bad and destroyed in a moment the patient labor of years.

The war would in any case, have for the time arrested the financial action of the concert in China. But though Germany must have provisionally withdrawn from it, there is no reason why we should have done so, or why we should not have been of real assistance to the numerous German interests desiring the preservation of the "Open Door." Such a position would in no way have been incompatible with the obligations of our neutrality. If we were acting to-day as the associates of Great Britain, France, Russia and Japan in the Far East, for the defence of certain policies subscribed to by all the powers, we would find ourselves in far better position to secure from the outset Japanese subscription to pledges which would make her tenure of Tsingtau less objectionable, and might thus even render distinct services to Germany. If, for instance, Japan were willing to demolish the existing fortresses and not to erect others, to maintain the place as an open port without special advantage to her trade, to preserve the Customs control for the Chinese Maritime Customs, to internationalize railways and wharfs in the leased territory, the tenure would be less offensive than if it aimed at exclusive advantages. All, or the greater part of this could probably be effected if approached in time by friendly diplomatic negotiation and by making use of the good offices of Great Britain and Russia, powers which like ourselves have no wish to see a militant extension of Japanese influence on the mainland.

In considering the permanent aspects of our Far Eastern policy we must definitely admit that Japan has there, great and legitimate interests exceeding our own. Where we possess other fields for expansion she finds herself with a rapidly increasing population practically restricted for its outlet to the Asiatic mainland. If we place ourselves in a permanent attitude of blocking her oversea development, we envenom a situation already difficult and run the risk of bringing about a conflict from which the main benefits we shall derive, will have been the consciousness of the faultiness of our diplomacy and absence of our military preparation. Would it not be wiser to appreciate the necessary limitations of our action in China both in respect to the aid we may extend and the range of our interests. Such examination if sincerely made, must lead to the conviction that single handed we cannot save China nor, even were it feasible to maintain such predominance, would we be willing to incur the tremendous responsibilities of an action which must carry with it the hostility of every civilized power possessing interests there. No sane statesmanship could seek the doubtful pre-eminence of this nature.

Along more modest lines we possess ample scope for a moral and economic penetration which will not lead us to a precipice although permitting us to render real services to the Chinese. By aiming at equality but not superiority of rights and efforts, we revert to the farsighted policy of John Hay and eschew the extreme directions of a subsequent action which, save for a brief period, alternated between being overhazardous or unduly negative. In collaboration with other powers who in the past have subscribed to the "open door" principle, we expect them wherever their special interests may appear to clash with this, to maintain a certain standard of administration which will bear in mind the broad interests of all. Friendly moderation and counsel would thus aim to achieve what peremptory demand might fail to obtain. And in so doing by mitigating attempts at violence, by smoothing surfaces of friction and points of asperity, we would once more justify the confidence which other nations had previously entertained in the wisdom and disinterestedness of our Chinese policy. The fact that we ought to co-operate with foreign powers far from signifying that we abandoned China, meant only that we preferred a conciliatory and diplomatic way of carrying out our policy, which would permit us to assume again in the future as in the past, the position of mediator between China and foreign powers. Our action whatever it be is in reality of far less importance, than the fact that it should not be dissociated from that of other nations. In spite of the delicacy of this rôle it is one which if properly understood should be productive of general benefit, and in its judicious application lies the surest hope for the salvation of China, and its peaceful evolution toward order and progress. The more enlightened Chinese would soon realize that without asking the impossible, they were at all times certain to find in our diplomacy a moderating influence and a true friend.

It remains to be seen if Mr. Wilson will be farsighted enough to construct afresh what he had first demolished and rebuild the ruins of our former entry into the concert of nations which he so light-heartedly destroyed. This might be the easier for him to accomplish, as for the present, at least, there could be little question of any important financial action with its dreaded ramifications. The necessary steps before us now are almost purely diplomatic. Only by our willingness to seek the close co-operation of other powers in China, and especially of Japan, can her occupation of Tsingtau be indifferent to us.

LOUIS EINSTEIN.

October, 1914.

TSINGTAU AND ITS SIGNIFICANCE

FROM THE NINETEENTH CENTURY AND AFTER.

The fall of Tsingtau, on Friday, the 6th of November, is, in some ways, the most important event since the commencement of the present War. One by one German possessions, scattered here and there over the world, fall into the hands of the Allies after a poor and more or less formal resistance. Little is said about their capture in British journals, and their loss has not been considered worth mention in Germany except as an illustration of the avarice of Great Britain. With Kiaochau, of which Tsingtau is the capital and fortress, it is different. The news of the Allies' victory caused great rejoicing in Tokio and corresponding gloom in Berlin, while German papers devote considerable space to the event and talk of reprisals in the years to come.

This is significant. Germany is nothing if not militant. Her colonial experiments date from 1884, when Angra Pequeña was taken over by the Imperial Government from the Bremen merchant, Lüderitz, to whom it had been ceded by a Namaqua chief. This formed the nucleus of German South-West Africa. Other acquisitions followed, mainly in Africa and Polynesia, but in none of her colonial possessions has Germany displayed any energy. Under cover of "room for expansion" she took, and held, large tracts of country which did little more than provide billets for a number of officials, while her surplus population overflowed to the British Colonies and America.

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The story of the acquisition of Kiaochau will bear repetition. In 1896 His Excellency Li Hung Chang attended the Coronation festivities of the Czar at Moscow as the representative of China. He was received with much pomp, and treated with a respect generally considered out of proportion to his actual importance. This and other circumstances connected with his visit gave rise to the suspicion that a secret understanding regarding certain railway and other concessions had been arrived at between him and the Russian Government. On his return journey, Li visited Germany; but the only result evident was the decision of the Government not to be left behind in the scramble for concessions in China already begun. The following quotation from a speech made by Baron von Bülow at the time of the occupation of Kiaochau discloses the attitude of Germany previous to that event:

> All that we have done is to provide that, come what may, we ourselves shall not go empty-handed. The traveller cannot decide when the train is to start, but he can make sure not to miss it when it does start. The devil takes the hindmost.

It is generally believed that the German Government then decided that Kiaochau was the place best suited for their purposes. Belgium, America, Great Britain, and Russia had already obtained railway rights in China, but the acquisition of territory was not contemplated in these arrangements. Nor were they national rights in the accepted sense of the term, but merely official recognitions by the various Governments of agreements entered into between China and enterprising firms which had sent financiers and engineers to secure them. The methods of Germany were different, and her opportunity came when, early in November of 1897, two German missionaries were murdered by Chinese in the province of Shantung.

By a remarkable coincidence there happened to be a small naval squadron then in Eastern waters, under the command of Admiral von Diedricks. On the 14th of November a force was landed which took possession of the country surrounding Kiaochau Bay and hoisted the German flag on the adjoining heights. The same day a proclamation was issued to the effect that, while Germany was in friendly relations with China and had no designs on Chinese territory, she intended to retain possession of the part occupied till due reparation was made for the murder of her two subjects. Meanwhile, representations were made to the Chinese Government by the German Minister in Peking. These were accompanied by stipulations regarding railway rights and mining concessions in the province of Shantung.

In reply to demands from Peking for the evacuation of the territory, Germany gave an unqualified refusal, and added that further guarantees were required for the protection in future of the lives of German subjects all over China. The Chinese Government was not in a position to resist, and the result was that Germany obtained all her representatives demanded, which included a "lease" of Kiaochau Bay for ninety-nine years, together with 193 square miles of the province of Shantung and the recognition of a sphere of influence equal to 2750 square miles. This was not a bad return on the lives of two missionaries —on the same scale Great Britain ought long ago to have "leased" several whole provinces and extended her sphere of influence all over the Celestial Empire.

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In April 1898 the Reichstag voted 5,000,000 marks "for the establishment of Kiaochau as a commercial and strategic *point d'appui.*" Toward the close of the same year this was supplemented by an additional 3,500,000 marks. Up to the present it is estimated that 25,000,000*l.* has been spent by the German Government and the railway and mining companies acting under Government supervision in the development of the "colony" of Kiaochau.

Germany's object is set forth in the words of Baron von Bülow in a speech, already quoted from, made about the time of the occupation:

The Chinese authorities will have continually before them the evidence of German power, and will realize that wrongs against German people will not go unavenged.

And, again, when speaking on the subject he said:

We have secured in Kiaochau a stategical and political position which assures us a decisive influence on the future of the Far East. From this strong position we can look with complacency on the development of affairs. German diplomacy will pursue its path in the East as elsewhere—calmly, firmly and peacefully.

It should be noted that at this time Great Britain was in possession of Hong Kong, Portugal of Macao, France of Tongking, and Japan of Formosa, while Russia was extending her influence in North-Eastern Manchuria. It was not till after the occupation of Kiaochau by the Germans that Russia leased Port Arthur, Great Britain Weihaiwei, and France Kwangchouwan, the respective dates being Port Arthur, March 27, 1898; Kwangchouwan, April 9, 1898; and Weihaiwei, July 1 of the same year.

The Shangtung Railway Agreement was signed on the same day as the Kiaochau Convention—March 6, 1898. This document practically abandons the whole Province of Shantung, at least in its economic development, to the German Government. In doing so great stress is laid on the "peaceful intentions" of Germany. Dealing with the railways, the following clause occurs:

In inaugurating a railway system in Shantung, Germany entertains no treacherous intentions towards China, and undertakes not unlawfully to seize any land in the Province.

On the subject of mining concessions it is stated:

In trying to develop mining property in China, Germany is actuated by no treacherous motives against this country, but seeks alone to increase commerce and improve the relations between the two countries.

The *Engineer* of July 3, 1914, quotes the Agreement in full, and remarks:

This is probably the shortest Agreement ever made between two Governments regarding a great undertaking. And, while the one contracting party practically abandons a whole province to the operations of the other, the other contents itself with the repeated assertion of its own good intentions. The reiterated "welcome" clause is a touch of irony worthy of Lewis Carroll in "The Walrus and the Carpenter."

The Province of Shantung has an area of 55,984 square miles and a population of 29,600,000.

Having thus secured a strong footing in China, and Kiaochau not being a colony but "a strategical and political position," Germany, with almost unseemly haste, proceeded to lavish money and talent on the new acquisition. The best engineers of the German railways and naval docks were imported without delay. The construction of extensive harbor works was well under way in a few months, and the laying of the railway line was actually commenced in September 1899, the whole of the preliminary surveys having been made and approved meanwhile. In June 1904, the railway from Tsingtau to Tsinanfu, a distance of 256 miles, was open for traffic. In the same year the harbor works were so far advanced that 351 ships, of a total tonnage of 385,000, were accommodated, besides 3990 Chinese junks.

This initial activity is noted now to mark the contrast between German enterprise here and in her colonies proper. In Berlin much attention was paid to the so-called commercial development of the new possession, while British and French newspapers praised the freshly discovered enterprise of the German nation.

Legitimate trade came later, as will be shown, but all these early activities, so widely advertised, were nothing more nor less than the "cover" under which the heights surrounding Kiaochau Bay were converted into a chain of fortresses, the so-called harbor made a naval dockyard and Tsingtau a garrison town. The 351 ships of 1904, as well as those of the preceding years, brought only materials for the construction and equipment of railways, docks, and forts, German immigrants, mostly officials, soldiers, marines, and munitions of war. The Chinese junks traded with the native population as they had done for 3000 years before.

Here it may be noted that although Weihaiwei is also situated in Shantung, about 120 miles north-east of Tsingtau, Great Britain has not attempted to influence or develop the hinterland, but has confined herself to the use of the leased territory as a naval base.

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Having said so much to show the real significance of Tsingtau, I shall now proceed to describe its situation and give some idea of the importance to which it had attained when I visited it last year as Special Commissioner for the *Engineer*.

My mission was to inspect railways, harbors, and other works in the Far East and to report on them for that journal, with the double object of recording engineering progress and suggesting opportunities for the British manufacturer. In this capacity I had special facilities for observation, British, French, Belgian, Russian, German, Chinese, and Japanese directors and engineers-in-chief being equally ready to render me assistance. So far as was known, no British engineer had inspected either the Shantung Railway or the Great Harbor of Tsingtau, and it was not supposed that I should be allowed to do so. However, when my wife and I were about to start from Nanking, accompanied by Mr. Tuckey, engineer-in-chief of the Pukow-Tientsin Railway, which connects with the Shantung line at Tsinanfu, I telegraphed to Tsingtau, and received a reply inviting us to put our car on the Shantung section and come along. Passports awaited us at Tsinanfu, and everything likely to tend to our comfort was arranged along the route.

On arrival at Tsingtau we were met by Herr Hilderbrandt, Director and Engineer-in-Chief of Railways, who treated us with much courtesy and kindness, and personally conducted me over all his works. Our presence was notified to Government House, and a request to call there was readily complied with. I found Herr Meyer Waldeck, Governor of Tsingtau and the representative of the Kaiser in this the strongest of his foreign possessions, one of the most amiable and courteous of men, ready to discuss any subject I cared to introduce with, apparently, as much frankness as if we had both been Englishmen in a British colony. I should have described him as a strong man, with decided views and the genius of reserve on controversial subjects. Naturally he was proud of his surroundings, for the site of this flourishing town, this strong fortress, this great naval base, had been a barren headland on the Chinese coast only fifteen years before. That he did not take fair, if severe, criticism amiss was evidenced by a letter which I received from him after the publication of an article in the *Engineer* on my return to England.

After a lengthy interview I was taken in a car, placed at my disposal by the Governor, to the office of the Director of Naval Works, and from there conducted by various officials over the Great Harbor and the works hereafter referred to.

Kiaochau Bay, on the east coast of China, is of irregular depth and outline, measuring from 15 to 20 miles across, with a small island named Yintao near the middle. The entrance from the Yellow Sea is about 1¾ miles wide. Kiaochau lies on the inner, north-eastern corner, and is an ancient Chinese town. Tsingtau is situated on the promontory at the north-east entrance of the bay, and is immediately surrounded by a series of hills which gradually rise to a height of about 350m. within 20 miles of the harbor. The railway station, goods stores, and a number of public and private works are on or near the sea level, as close to the docks as the position will allow. The town is built on the sloping land of the promontory, rising to a considerable height and stretching across from the sea coast to the bay. Behind are numerous suburban residences, the barracks and the landward fortifications. On the coast hills to the right are forts commanding the entrance to the bay and the coast, in conjunction with those on the other side of the bay and the islands near the entrance.

Nearly the whole of the "leased" territory is laid out in plantations. Beginning in the streets of Tsingtau, shrubs and trees creep along the hillsides and stretch beyond into the hinterland. The acacia has proved the best suited to the soil and climate, and already the coal mines in the province are supplied with props of this timber, produced locally. In a treeless country like China this is invaluable and serves as a great object-lesson to the Chinese. The local Government present one million plants and trees annually to the natives of the province. These include flowers, shrubs, and fruit trees of various descriptions.

German culture was not forgotten. Tsingtau had perhaps more schools and gymnasiums than any other town of the same size, for, in all except the higher grades, they were duplicated, Europeans and Chinese being both catered for and segregation being rigorously insisted on. There were two distinct Tsingtaus—one with a population of about 2500 Europeans and the other, joining on to it but quite distinct in all its features, containing about 40,000 Chinese. Everywhere everything was German. The officials were German, the language was German, the coinage was German. All goods not produced in Shantung were brought from Germany, from a needle to an electric crane. There was no leakage and no exception. One remarkable thing is that, although German is spoken all over the Chinese quarter, "pidgin" German is unkonwn. This is owing to the early establishment of primary schools in which German was taught. An Englishman would hardly believe himself to be in China without the familiar and fascinating "pidgin" English of his "look see" man.

The High School was opened in 1901, the object being "To give a thorough education, founded on a knowledge of German science and German culture." The upper grade was latterly composed of four principal Faculties—Technical, Jurisprudential and Political, Husbandry and Forestry, and Medical. The teaching staff consisted of twenty-five Germans and sixteen Chinese. An Observatory was presented to the town by the German Navy League in 1912.

The peace strength of the garrison was 3000 men. The Kiaochau service was popular in the Fatherland, and young men from the best families entered it with the double object of serving their country and acquiring a knowledge of the languages and customs of the Far East. Last year is was said that no fewer than 500 guns were mounted on the various forts, all of the latest Krupp types. There may have been more or less, but of this there was no doubt possible—the best-informed men in Tsingtau considered the place impregnable, and able successfully to resist any attack from land or sea.

The Bay itself has been described as the natural entrance and exit for Shantung and the maritime key of the province. This, with railways in view, is of more importance than may appear at first sight. China has few roads, and Shantung has practically none. The whole of the country from Kiaochau to the Yellow River, 250 miles, is covered to a great depth with a shifting alluvial deposit. In flood time the water cuts deep courses in this "loess." These irregular tracks may be said to be the only roads. This drives the Chinese to utilize the sea, hence the number of junks frequenting the port. The main waterways of China being all at great distance from the Shantung seaboard here made this bay a valuable asset to the province. To a European Power with maritime ambitions it obviously presented additional advantages.

The construction of harbor works was undertaken and carried to completion by the Government, and all loading, landing and forwarding was done by Government officials. Inside the bay is a small island. A breakwater, about three miles long, in horseshoe shape and strong enough to support a line of railway, was built to connect this

with the mainland. This enclosure, narrowed at the entrance to 280 metres by the projecting commercial piers, is known as the Great Harbor. The minimum depth of water on the land side is 9½ metres, and on the island side it is 10 metres.

All mercantile vessels are berthed on the land side, where there are three moles with a total of 1950 metres berthing accommodation. The island referred to is about 200 metres by 600 metres. The "Tsintauer Works" are there, and only naval ships were allowed on this side of the harbor, except those mercantile ships requiring repairs. The length of pier frontage, including that set apart for coaling, is about 2000 metres. The works are equipped in the most up-to-date fashion. No graving dock has been constructed, but there is a floating dock of 1600 tons displacement, capable of extension as required. This is the finest harbor in China, not even Dairen excepted.

The growth of trade may be gathered from the Customs returns given below:

1900	59,482	Haikuan	taels
1903	310,461	"	"
1906	878,991	"	"
1909	1,120,243	"	"
1912	1,670,029	"	"

The progress has been steady, and now Tsingtau holds the sixth place as a Customs' revenue producer among the forty-seven open ports of China. The order is Shanghai, Tientsin, Hankow, Canton, Swatow, Kiaochau. Dairen is seventh, being 260,000 taels below Kiaochau.

Tsingtau has all the advantages of a Treaty port. It was a free port till 1906. Since then the Imperial Maritime Customs collects duties there as in all other ports. The Convention of 1906 stipulates that 20 per cent. of the Customs moneys collected shall be paid to the German Imperial Government. This, with a certain proportion of the profits earned by the Railway Company, represents the return to the German Government on the capital invested.

Shipbuilding is carried on at the naval harbor, both for mercantile trade and naval purposes. Indeed, it would be possible, given the raw material, to build and equip anything up to a second-class cruiser. The whole of the outward side of the island is taken up by slips, and there were vessels of various kinds and sizes in course of construction at the time of my visit.

The first sod of the Shantung railway was cut by Prince Henry of Prussia in September 1899, and the whole of the line, from Tsingtau to Tsinanfu, a distance of 256 miles, was opened for traffic on the 1st of June 1904. From this time dates the commercial prosperity of the settlement. This is not to be wondered at. Being put in possession of a first-class harbor and a railway conecting with the very heart of the most populous country in the world, hitherto without means of communication, prosperity worked its own way. Not only is Shangtung served by this railway. The main trunk line of China, from Nanking to Peking, and thence to Mukden, where connection is made with the lines to Dalny, Korea and Siberia, is intersected by it at Tsinanfu. The whole railway system of China is linked up with it.

There was keen competition among financiers in Berlin for the railway rights acquired by the German Government. A combination was at last arranged by the chief competitors, and the Shantung Eisenbahn Gesellschaft was formed in June 1899, with a capital of M.54,000,000, to carry into effect the agreement between the Chinese and the German Governments. This company constructed the line, and worked it under Government supervision and control, paying certain percentages of the profits to the Government, as before stated.

The possession of extensive coal-fields is one of the chief assets of Shantung. Last year the output from the collieries exceeded half a million tons. In addition to being largely used for house purposes, the coal is in demand for ship bunkers. This in itself accounts for many steamers calling at the port.

The Government consisted of a Council, composed of the heads of the various administrative departments, under the supervision of the Governor, and four members chosen from the civil population. One of these four was nominated by the Governor, one by the Chamber of Commerce, one by the trading firms, and one by the other members of the community. The Governor and chief officials were appointed by the German Imperial Government, and drawn principally from the Imperial Navy, His Excellency Meyer Waldeck, who surrendered the fortress, being Kapitän zur See.

The acquisition of Kiaochau Bay marked an epoch in German history. The mission of Prince Henry of Prussia to the Far East in 1899 was followed by extraordinary naval activity. In that year the German Navy consisted of only 77 vessels of all classes. In 1900, by conversion and construction, the number had increased to 194, while there were no less than 40 battleships, 8 coast defence ships, 68 cruisers, and 114 torpedo boats projected. The work of the Kiel Canal, undertaken in 1887, was greatly accelerated at this time, which made its opening in 1905 possible. It will be remembered that the two warships, the *Deutschland* and the *Gefion*, sent to Tsingtau with Prince Henry, repeatedly broke down on the voyage. These mishaps were used with admirable effect to illustrate the weakness of Germany on the sea. The Emperor's point was gained, and Germany entered on her career as a naval Power, with the results evidenced in the present struggle.

THE USE AND BENEFITS OF THE PANAMA CANAL

BY EMORY R. JOHNSON, PH. D., SC. D.

From the Commercial and Financial Chronicle.

The Panama Canal has been constructed to shorten the length and time of ocean voyages in order thereby to reduce the costs and rates of transportation, to increase the volume of possible shipments, and to enable industry to develop with the expansion of trade. The opening of the canal to the world's shipping makes this an opportune time to inquire what economies the waterway will effect, what use will be made of the new route via the Isthmus and how American commerce and industry will be developed.

The people of the United States are interested, first of all, in the shortening of distances by ocean routes between the two seaboards of the country and in the reduction of freight rates between Atlantic and Pacific ports. Up to the opening of the canal, heavy traffic between the east and west coasts of the United States continued to move via the Straits of Magellan, although from 1907 until stopped by the revolution in Mexico, package freight and some bulky articles were shipped by way of the Isthmus of Tehuantepec. The large fleet which the American-Hawaiian Steamship Company employed in the service via Tehuantepec and the vessels that were operated between the two seaboards of the United States through the Straits of Magellan (as well as numerous ships not previously in the intercoastal service) are now using the Panama route.

The distance between New York and San Francisco via the Straits of Magellan is 13,135 nautical miles as compared with 5,262 miles by way of the Panama Canal, the saving being 7,873 sea miles. The time saved in making the run from New York to San Francisco via Panama instead of by way of the Straits of Magellan is 32.3 days for a 10-knot freight steamer, and 26.8 days for a vessel of 12 knots speed. A passenger vessel of 16 knots average speed (which would, of course, not be operated via the Straits of Magellan) can make the voyage from New York to San Francisco in two weeks, or in fifteen days, if a day be spent at Panama to enable passengers to see the canal and the sights of the City of Panama.

The western section of the United States is hardly less interested in a shorter route to Europe than in a reduction in the distance by water to the eastern part of the United States. West coast products are exported largely to Europe and the transportation costs by way of the Straits of Magellan have been heavy. The Western States, moreover, import large quantities of iron and steel, textiles and other manufactures and have much to gain by the more active competition which European manufacturers, shipping by way of the Panama Canal, will be able to maintain with producers in the eastern part of the United States for the trade of the Pacific seaboard and the section which gets its supplies in greater or less share from the west coast importers and jobbers. The distances via the Panama Canal to San Francisco are 5,666 miles less from Liverpool, and 5,528 less from Hamburg than by way of the Straits of Magellan, the reduction in time of voyage for 10- and 12-knot freight steamers being respectively 23 and 19 days.

The export trade of the west coast of South America is large in volume and of growing importance to the United States and to Europe. For a number of years 2,500,000 tons of nitrate have been shipped annually from Chile, four-fifths of it being sent to Europe and one-fifth to the United States. There are large exports of Chilean grain and copper, and, after the opening of the canal, a heavy tonnage of high-grade ore will be shipped from Chile to the United States and to Europe. At the present time, the west coast South American import and export trade accounts for some 4,000,000 tons of vessel entrances and clearances at the ports of Europe and the eastern seaboard of the United States. Europe has gotten six-sevenths of the west coast South American trade and the United States only one-seventh under conditions that have prevailed in the past. It is expected that the United States will, as the result of the opening of the canal, be able gradually to increase this percentage of the trade of western South America.

Practically all of the trade of the eastern part of the United States with that of western South America will be handled by way of the Panama Canal. The distance from New York to the principal nitrate port has been reduced 5,139 miles, and the time for 10-knot steamers has been shortened 21 days by the construction of the canal. Valparaiso has been brought 3,747 miles, and for 10-knot steamers 15 days, nearer New York by the opening of the canal. Europe naturally will be assisted less than the eastern part of the United States in trading with western South America, by the use of the Panama Canal; but Europe will be about 3,000 miles nearer the nitrate deposits and 1,500 miles nearer the grain fields of Chile in the future than she has been in the past. A 10-knot freight steamer will be able to make the run from Iquique to Liverpool and Hamburg in 11 days less time via the Panama Canal than by way of the Straits of Magellan. From Valparaiso to Liverpool the saving in time by the canal will be about 6 days.

In building the Panama Canal the people of the United States were concerned, first of all, with the reduction in the cost of transportation between the Atlantic and Pacific seaboards of the country. For several years prior to the opening of the canal, most of the freight shipped by water between the two seaboards of the United States was transferred across the Isthmuses of Tehuantepec and Panama, the larger share of the tonnage being shipped via Tehuantepec. The agreement which the American-Hawaiian Steamship Company made with the Mexican National Railway in 1907 provided that one-third of the through freight rate between the two seaboards should be paid to

the railroad company for transferring freight from the vessel on one ocean across the Isthmus and into the hold of the vessel on the other ocean. It is reported that the Mexican National Railway received on the average $3.50 per ton of 2,000 lbs. for its service. The cost of transferring freight from vessel to vessel across the Isthmus of Panama probably has been about $3 per cargo ton. This cost of $3 to $3.50 per ton of 2,000 lbs. for transferring freight across the Isthmus is equivalent to $6 or $7 per ton when calculated upon the net tonnage of the vessels employed in the trade, for the reason that modern freight steamers ordinarily carry two tons of cargo for each net vessel ton. The tolls fixed by President Taft in 1912 are $1.20 per net ton, or about one-fifth of the saving effected by the canal in the cost of transportation between the two seaboards of the United States.

The carrier is interested in the reduction in the cost of transportation; the shipper is concerned with the freight rates. That the canal will largely reduce the cost of transportation between the two seaboards of the United States and will reduce the cost of handling freight between the United States and the western coast of South America, Australia and the Orient north of Hongkong, is certain. As regards the freight rates on traffic from the United States to foreign countries, it is probable that competition will give shippers most of the benefit of the reduction in the cost of transportation; but in all ocean services, particularly in the line traffic between the two seaboards of the United States, the extent to which the shippers, instead of the carriers, gain from the reduction in the cost of transportation depends upon the ability of the carriers, by agreements, to maintain rates above the level to which the charges would be forced by unrestricted competition.

In this connection the fact is to be borne in mind that most manufacturers and traders shipping goods between the two seaboards of the United States, via the canal, will be served by regular steamship lines; only a comparatively small number of exceptionally large producers will despatch goods in full vessel cargoes in ships which they own or charter. With the exception of lumber, east-bound, coal, west-bound, and occasional large shipments of heavy steel products, most of the traffic will be handled in units of less than vessel loads; and the service desired by shippers will be that afforded by the regular lines, of which there will, in all probability, be several between New York and San Francisco, and one or more from each of the "out ports," such as Boston, Philadelphia and Baltimore.

In so far as traffic is handled in chartered vessels or in ships belonging to the owners of the goods transported, shippers may be expected to get the entire saving in the cost of transportation resulting from the use of the canal; but the rates of the regular steamship lines will be fixed by agreements of the rival carriers; and the history of steamship conferences shows clearly that competing steamship lines will be able, by means of their conference agreements, effectively to regulate their competitive services and charges. The services of the several lines will be distributed among the various ports. The rates between any two termini may be expected to be the same by all lines for similar services; and, in general, the rates fixed in the conference agreements may be expected to be maintained at such a level below the general schedule of transcontinental railroad charges as the managers of the steamship lines find by experience can be maintained, and yet secure the volume of traffic required to supply the vessels with the requisite traffic. Rates by water will not be all the traffic might bear, but will be what the shippers can and will pay for transportation by water instead of transportation by rail. Rates by water as well as by rail will be fixed with reference to what the traffic will bear.

If this be true—and it unquestionably is sound transportation economics—the people of the United States will be obliged, in order to secure the benefits of lower transportation charges to be obtained from the Panama Canal, to regulate the charges and services of the intercoastal carriers by applying to those carriers the general principles of regulation that have been successfully applied to rail carriers. The rules applicable to the regulation of carriers by water are not identical with the rules applicable to railroads, but the general principles to be followed are the same in both instances.

The most concrete measure of the commercial usefulness of the Panama Canal will be the volume or tonnage of shipping using the waterway each year. The probable traffic of the Panama Canal has been calculated with exceptional care. For six years, ending with 1898, the Panama Canal Company kept a record of vessel movements, from which the company was able to calculate the tonnage of ships that would have used a Panama Canal had one been in existence. Again, in the years 1899 to 1901, the Isthmian Canal Commission made an elaborate statistical investigation of the tonnage of available canal traffic. The tonnage figures arrived at by the French company and by the Isthmian Canal Commission showed that had an isthmian canal been in existence in 1899 the tonnage using the waterway would have amounted to 5,000,000 net (vessel) tons. This investigation by the Isthmian Canal Commission was made under the direction of the author who, eleven years later as special commissioner on Panama Canal traffic and tolls, made another equally careful statistical study of the tonnage of shipping that would have used the canal had one been in existence in 1910. During the eleven years intervening between the two investigations, the available traffic had increased from 5,000,000 to 8,328,000 tons. Inasmuch as it is doubtless safe to assume that the rate of increase that had prevailed from 1898 to 1910 will probably continue, it seems fairly certain that the tonnage of the Panama Canal during 1915 will amount to about 10,500,000 net tons. With an increase of only 60 per cent. during the first decade, which is 12 per cent. less than the rate of increase in the traffic of the Suez Canal during the decade ending in 1912, the tonnage of shipping using the Panama Canal in 1925, at the end of the first ten years of its operation, will amount to 17,000,000 net tons. Those to whom this seems to be a large tonnage may well compare it with the traffic of the Suez waterway, which, in 1912, was used by 5,373 ships having a net tonnage of 20,275,000. The traffic of the Suez Canal in 1925 will doubtless exceed 30,000,000 net tons of shipping.

The tolls for the use of the Panama Canal—$1.20 per net ton with 40 per cent. reduction for vessels in ballast—were decided upon after careful consideration had been given to the effect of the tolls upon the traffic and usefulness of the canal. It would have been undesirable to have imposed tolls high enough to have diverted from the canal to the Straits of Magellan any considerable portion of the large tonnage moving between Chile and the United States and Europe. It would also have been a mistake to have placed the tolls at a figure that would have lessened the use of the canal by the vessels operating between the eastern seaboard of the United States and Australia, and also the shipping engaged in the trade between the eastern seaboard of the United States and the Oriental ports from Manila and Hongkong northward. The saving effected by the canal for the traffic between the two seaboards of the United States and between the eastern seaboard of the United States and the west coast of South America, and between the western coast of North America and Europe, will be much greater than the tolls that have been established.

The payment made by vessels for the use of the canal, and consequently the revenues received by the United States Government from the canal, are determined by two factors —the rate of tolls and the tonnage upon which the charges are levied; accordingly, the Panama tonnage rules are of as much importance to shipowners as is the rate of tolls. The Panama tonnage rules prescribed by the President were formulated after a thorough study had been made of the merits and defects of the several national tonnage rules and of those in force at the Suez Canal. As prescribed, the Panama rules are more nearly like those of the Suez Canal Company than those by which the registered tonnage of American ships is determined. It is unfortunate that the American, British, French, German, Suez and other tonnage rules are not uniform. As a matter of fact, they differ in important details, those of the British Government, under the influence of British shipowners, having provided for an especially low net tonnage as compared with gross tonnage.

The gross tonnage of a vessel, possibly it should be explained, is the measure of the entire closed-in capacity of the ship; the net tonnage is the entire closed-in capacity minus the spaces occupied by machinery, fuel, and housings for the crew. A vessel ton, gross or net, has nothing to do with weight, but is 100 cubic feet of space. A vessel of 5,000 tons, net, is a vessel of 500,000 cubic feet of capacity available for the storage of freight or for the accommodation of passengers.

The application of the Panama rules to the measurement of vessels will give vessels a somewhat smaller net tonnage than ships would have if measured by the Suez rules. The Panama net tonnage will be slightly in excess of the registered tonnage of American vessels, and considerably larger than the net tonnage of most vessels under the British or German flags. The Panama rules were drafted with a view to establishing for the Panama Canal as scientific a set of rules as could be formulated. It is to be hoped that the Panama rules will remain unchanged, and that they may have the effect ultimately of bringing about a greater degree of uniformity in the different tonnage rules now applied to the measurement of vessels.

The economies due to the use of the Panama Canal, especially for the traffic between north Atlantic countries and the countries of western South America, will result not only from the shortening of distance and time of ocean voyages, but also from reducing the fuel expenses of vessels engaged in the traffic. There is no coal in eastern South America, and that on the west coast is of poor quality. Vessels trading between Europe and the west coast of South America by way of the Straits of Magellan have to take on large quantities of fuel for the long run around to the west coast of South America, thereby reducing the space available for cargo and thus the earning ability of vessels. Coal will be relatively inexpensive at the Panama Canal, where it can be sold by the Government, without loss, at $5 per ton. The coaling stations at the canal will be largely used by merchant vessels, and in the traffic with western South America the fuel expenses will thereby be much reduced. Indeed, the reduction in fuel expenses will cause the Panama route to be taken by vessels from Europe to Santiago, Chile, even though the tolls charged at Panama somewhat exceed the saving which vessels can make by taking the Panama route instead of the one via the Straits of Magellan.

It is interesting to note that vessels trading between New York and Australia, or between New York and Manila, will find fuel expenses via Panama appreciably less than by way of the Suez Canal. Coal can profitably be sold by the United States Government at Cristobol for $1.25 less per ton than the price now charged at Port Said. The studies that have been made of fuel expenses via Panama indicate clearly that the lower fuel cost via the American isthmus will be of much assistance to the Panama route in competition with routes by way of the Straits of Magellan and the Suez Canal.

The studies that have been made of available canal traffic did not take into consideration the new traffic that will be able to move as the result of the opening of the canal. In the past, the rich beds of Chilean iron ore have remained unworked because the cost of transporting the ore to Europe and the United States was prohibitive. The prospective opening of the canal caused the Bethlehem Steel Company to construct a fleet of large ore carriers which have already begun to bring the ore from Chile to the United States. Some of the Chilean ore will also be taken to Europe. All of this traffic will pass through the Panama Canal. Prior to the opening of the canal, only a small quantity of the lumber from Washington and British Columbia could be marketed in the eastern part of the United States; with the reduced cost of transportation via the Isthmus, it is expected that a large trade in west coast lumber will be carried on by merchants who distribute lumber from Philadelphia, New York and other Atlantic ports. To some extent, this west coast lumber will supplant the lumber from the Southern States, but in larger measure the west coast lumber will supplement that from the South.

The Panama Canal will enable both the intercoastal and the foreign trade of the United States to be carried on under more favorable conditions than have prevailed in the past. It is too early to measure in detail the commercial effects of the Panama Canal; it is certain, however, that the influence of the canal will ultimately be far reaching. The American people, however, must not expect the canal to revolutionize the foreign trade of the United States. The canal will give the people of this country an opportunity to trade with western South America and with trans-Pacific countries under more favorable conditions as regards length of ocean routes and transportation costs, but economies in transportation will not alone determine whether the trade of Pacific countries will be mainly with Europe or with the United States. Europe has the lead of the United States in the commerce of Pacific countries. The exporters from Great Britain, Germany, and other European countries are served by numerous steamship lines and by a vast tonnage of other available shipping. The financial and banking relations of Pacific countries are mainly with Europe. The merchants of Great Britain, Germany, Belgium and France have long established trade relations with the countries of the Pacific. European merchants have branch houses or agents in South American, Australian and Asiatic ports. It will take time to transfer the banking, merchandising and trading relations of South American and trans-Pacific countries from Europe to the United States.

In order to secure the benefits obtainable from the opening of the Panama Canal, it will be necessary for the American bankers, manufacturers and traders to be alert; and it will also be necessary for the United States Government to formulate a broader commercial policy than has thus far prevailed. The Federal Government must seek by practical measures to develop a larger American merchant marine in the foreign trade, to facilitate by liberal legislation the growth of international trade, and by favorable banking laws to strengthen the financial position of the United States among commercial nations.

THE PANAMA CANAL AND THE RAILROADS

BY JOHN MAURICE CLARK.

From the Commercial and Financial Chronicle.

Among the many questions raised by the opening of the Panama Canal, not the least interesting will be the effect of this great new waterway on the greater common carriers, the railways, to which it will appear in the two-fold guise of team-mate and competitor. It will develop some new traffic in which the railways will have a share; it will take some of their present traffic away from them, and some traffic will be shifted from its present course, and will run in new channels. All this will bring gains to some carriers, possibly losses to others, while to most it will bring gain and loss commingled.

We expect an increase in our export trade to the west coast of South America and the Orient. Exports, moreover, must be paid for with imports. Now the greater part of the exports and imports must be carried by rail, some distance at least, and the profits on this business will be one of the benefits which the Panama Canal will bring to the railroads. For much of this commerce, New Orleans is the natural port, and, in proportion as New Orleans comes thus into its own, the railroads which serve that port must share in its prosperity. Not only in foreign trade does New Orleans expect great growth, but in trade to the Pacific Coast of the United States itself, diverting traffic from the overland routes. Thus the Illinois Central and the Louisville and Nashville may become competitors of the Union Pacific or even of the Great Northern. The strictly north and south lines are not, however, the only ones to share in this traffic. The Rock Island controls a route from Chicago to Galveston, and the 'Frisco system also includes a Gulf connection. Thus these western transcontinental roads, which are exposed to the most direct losses from the competition of the canal route, have at least some small chance to participate in gains as well.

So much for the commerce of the Gulf ports. What of the transcontinental traffic and carriers? These roads are clearly liable to very definite losses from the opening of the great new waterway which must inevitably strengthen the competition for business from coast to coast —a waterway through which their own ships may not pass.

Aside from the general, normal growth of business, there will undoubtedly be some business which the canal itself will create. Indeed, there will be a sort of rough, natural compensation at work by which, the more traffic is taken from the roads, the more of other sorts of traffic will come in to them. The steamers cannot make serious inroads into the railways' business without a very considerable lowering of rates; a slight reduction will not do it. And if rates are lowered a great deal, the result will be more than a mere diversion of the existing traffic; it will mean a stimulus to industry and commerce which cannot fail to furnish some work for the well-nigh universal common carrier, the railroad.

But the growth of new business is problematical and takes time, and in the meanwhile the canal route will be taking away from the railroads some of the business they already have, just at the time when the revival of the long-and-short haul clause seems threatening to deprive them of their customary freedom in meeting the inroads of competition. At present the boat lines carry something over one-tenth of the transcontinental freight tonnage. However, the so-called "transcontinental" traffic includes shipments from as far west as the Mississippi River, and goods destined to inland points throughout the Pacific slope. In fact, only about one ton in five of the westbound transcontinental traffic comes from farther east than Buffalo and Pittsburgh. The Middle West has become dominant

over the Atlantic seaboard in the commerce of the Pacific slope.

Now, obviously, it is the traffic from seaport to seaport that is most exposed to water competition, and half of this traffic the boat lines have already taken from the railroads.

In one sense, it would seem as if the railroads had already suffered the greatest damage to which they stand exposed. And yet, even so, there has been no absolute shrinkage of traffic by rail. The increase in the water-borne tonnage has come out of the normal growth of the total volume of business. The question, to which the future holds the answer, is: will the added advantage from the use of the canal be enough to take from the railroads the balance of the coast-to-coast freight, and make serious inroads on the business moving from the interior cities?

Compared to the present rail-and-water routes across the isthmus at Panama and at Tehuantepec, the canal route will, of course, be faster and substantially cheaper. The steamship lines will save an amount which may be roughly estimated not to exceed 13c. per 100 lbs. of freight, or something like one-tenth of an average transcontinental freight rate by rail.

This is on the supposition that the boats travel with full cargoes, but the indications are that they will probably find it quite difficult to secure an east bound tonnage equal to the westbound. It is only the heavy eastward movement of Hawaiian sugar that keeps the tonnage fairly well balanced at the present time. If the freight passing through the canal has to pay expenses on a balance of empty cargo space, the economy of the Panama route will not be quite as great as it appears on paper.

It must be further taken into account that the freight rate is not the only consideration in competition between a railroad and a line of steamboats. The rates are now from 20 per cent. to 60 per cent. lower by water, and still the railroads keep nearly half of the coast-to-coast tonnage. Obviously, a great deal of the business is governed by other considerations than the mere freight rate. It hardly seems probable that another 10 per cent. subtracted would be enough to overcome all these "other considerations" at one blow, and take all the remaining traffic away from the railroads, even if the roads did not meet the cut in rates.

One of the reasons why the railroads can charge more and still keep a large share of traffic is the fact that the train-isthmian route demands so much handling en route. If a short rail haul is needed at each end, the goods must be loaded and unloaded at least ten times, into and out of three freight cars and two steamers, and all of this means a greater risk of injury to the goods calling for more expensive packing to protect them. With the Canal in use, this disadvantage would be cut approximately in half, though it would still remain a substantial handicap. In the matter of speed the new route will about equal the ordinary slow-freight service of the railways.

There are some things which the steamers can not wholly divert by any reduction in rates. California fruit, and all goods using the special fast freight service of the railroads, would probably continue to move largely as it does now, no matter what inducements the steamship lines might offer. The fruit growers' co-operative associations have enormously increased the value of their crops by following up the shipments on their way eastward, and diverting them by telegraphic orders to the most favorable market. This advantage they will probably not abandon, even if the other obstacles to the carriage of fruit by steamer through the tropics should be successfully overcome. There is doubtless other traffic which will still prefer the overland route, for one special reason or another. On the whole, then, with regard to the strictly coast-to-coast traffic, the situation would seem to be this: that the railroads will not lose all of it in any case; but that they carry less than half of it at present, and would probably come out of a defensive rate war with a still smaller percentage.

Will they lower their rates? If this strictly through traffic were a thing by itself, they would probably make a determined effort to retain it. But it is not a thing by itself. The whole eastern part of the country is given the same rates on transcontinental business, so that the railroads could not lower the New York rates without a similar loss of revenue on the vastly greater volume of shipments originating, or terminating, at inland points as far west as the Mississippi River. This would be a heavy price to pay to keep a small part of the traffic, already carried at far less than the normal margin of earnings. Indeed, this very fact may help to explain why the railroads have avoided rate wars in the immediate past, and have followed a "live and let live" policy toward the steamship lines connecting with the Tehuantepec and the Panama railways. The loss would have been greater than the prize was worth. Unless the steamers begin taking on so much traffic from far inland, as to make serious inroads on this, the main part of the railroads' transcontinental business, we need not expect to see a war of rates inaugurated.

For all of this traffic, especially for traffic which does not reach the seacoast at either end of its journey, the railroads will continue to have advantages that should be almost decisive. They will avoid two transfers, with all the delay and chance of injury involved. They can carry the goods more quickly and more safely than can the steamers with rail connections at the terminals. And when the traffic goes by sea, either the shipper or the steamship company must pay the railroads for their part of the roundabout haul, thus increasing the expense of the ocean route. At present, some shipments move by water from as far west as Buffalo and Pittsburgh, and from points a hundred to a hundred-and-fifty miles inland on the Pacific slope. The saving from the use of the canal may be equivalent, at a liberal estimate, to an extra haul of three hundred miles at the eastern end of the journey, or less than half as much in the Pacific coast states, where rates are higher. How formidable this widening of the steamers' sphere of influence will prove, is a matter that can only be conjectured. The railroads may be consoled, especially the eastern lines, by the fact that even such traffic as they may lose is not wholly lost. They will merely have exchanged a long haul at a low margin of profit for shorter

hauls at more satisfactory returns, mile for mile. If the general growth of traffic is as great as is expected, the result may be no loss at all, but rather an improvement in the character of the traffic and an increase in ton-mile revenues.

If the railroads are forced to fight for the middle-western traffic, they may find themselves somewhat hampered because the present orders of the Interstate Commerce Commission place certain limits on the practice of charging lower rates to Pacific seaports than to intermediate points. This fact should prove to be an interesting incidental problem, but not, necessarily, a terrifying one, even though the Supreme Court has upheld the rulings of the Commission. The idea of these rulings is to grant exemption from the long-and-short haul clause and allow the railroads to discriminate in favor of their terminal cities, just so far as they are compelled by genuine water competition, but no farther. Now that the force of competition by sea is to be considerably increased, it is entirely possible that the details of the Commission's plan may need to be reconsidered and extensive changes made.

In particular, it seems unnatural that Galveston should be classed with Omaha as a place enjoying no water competition, and that New Orleans should be treated as enjoying no more effective water competition than Madison, Wisconsin. Rates from Galveston may not be higher to intermediate points than to the coast, and rates from New Orleans may be only 7 per cent. higher, while from Boston, New York, Philadelphia and Baltimore, the intermediate rates may be 25 per cent. higher, the through rates being forced down by water competition. At present, no regular steamship lines run from the Gulf ports to the isthmus, but with the opening of the canal we may expect to see genuine and active water competition at these points. Accordingly, we may expect that the Interstate Commerce Commission, following the principle of its first ruling, will grant more liberal dispensations from the long-and-short haul clause, especially to the railroads serving the Gulf ports, provided that these carriers show that they need the revenue which higher rates to intermediate points would furnish.

So far, we have been viewing the more immediate effects of the canal, and we have seen that there will be both gains and losses. Will things bear a different aspect in the long run? Will the railroads ever reach that happy state in which they will not care how much through freight is carried by the steamers? There is good reason for believing that the time will come when railroading will not be a business of "increasing returns" to anything like the same extent that it has been in the past, if at all, and when extra tonnage, carried extra long distances at extra low rates, will not be regarded as a valuable prize, but as a very doubtful asset.

For some roads, indeed, that time seems to have arrived already. To the Pennsylvania Railroad, for example, the regular growth of traffic means the outlay of enormous sums for increased plant to handle the added tonnage, over $64,000,000 having been spent thus in the last year alone. In recent years this Company has built what is virtually a separate double-track railroad to handle freight alone and relieve the main line of congestion. The expenses, for various reasons, (not all connected with increased traffic) are growing actually faster than the income. Under such conditions, it is far from true that added traffic always pays, so long as it brings in anything above operating expenses. A road in this condition need not mourn if a competitor kindly relieves it of some of its least profitable business.

The condition of the lines east of Pittsburgh can, in itself, hardly have much bearing on the question at issue, for these lines are comapartively indifferent to canal competition in any case. But we are looking into the future, to a time when lines farther west will be approaching a similar condition. At present, it is the western roads, rather than their eastern connections, which are chiefly responsible for the disregard of distance that characterizes our transcontinental freight rates.

When the plant was partly idle, more tonnage was a boon at almost any price. But as traffic becomes more dense, the motive to discriminate becomes weaker and weaker. Thus the western lines made low rates to fill their eastbound empty cars with lumber, with the final result that the policy was too successful. The cars were more than filled, and further shipments of lumber were chargeable with the cost of added rolling stock, and the haul of empty cars westward, as well. This is an extreme case, but typical.

The western roads have, of late, been spending many millions in enlarging the capacity of road-bed and rolling stock, while the moving of freight through Chicago, St. Louis, and other western cities is a great and growing problem, calling for huge capital expenditures. No traffic is self-supporting which does not contribute its full share toward the interest on these outlays. When congestion turns railroading into a business of diminishing returns, the traffic that was once eagerly sought for at extra low rates, may become an actual burden, to be borne grudgingly, and only out of consideration for the many interests that are always dependent on an established adjustment of charges.

Across the arid and mountainous stretches of the West the tonnage will hardly grow to this extent, and the officials in charge of these divisions may never cease to cast covetous eyes at the water-borne traffic. But as the rest of the country grows up to its transportation facilities, we may expect that the carriers in general will soon cease to lament the business the canal has taken away, while they will continue to enjoy the more attractive business which the many-sided growth of the country will bring with it.

Let us suppose that the canal has taken its place in our commercial system and our growing population and industry have adjusted themselves to it. The railroads will then, as now, be facing the problem of providing billions of capital to meet the transportation demands of our ever-growing country. What would they say then to a proposal to close the Panama waterway to all coastwise traffic, and throw upon them the responsibility of raising funds to provide facilities for a sudden increase of relatively low-grade business? One can hardly imagine them actively advocating the passage of such a measure. On the contrary, if, in the year 1950, an earthquake should destroy the canal, it is quite possible that among those who would view the catastrophe with the most sincere grief would be the heads of the great railroad systems of the country.

THE REMOTE EFFECTS OF THE PANAMA CANAL

BY JOHN BATES CLARK, PH.D., L.L.D.

From the Commercial and Financial Chronicle.

What, after all, is the Panama Canal? Is it merely a ditch, forty-nine miles long, and are the two ends of it respectively at Panama and Colon? In a truer sense it is a connecting link between two vast systems of canals comprising the water routes which radiate from the two terminal harbors to every part of the earth. If we consider that every "steamship lane" is in effect such a line of water communication as a canal furnishes, though better than any artificial canal can be, we may say that the excavation across the narrow isthmus of Panama has at one stroke united some hundreds of channels lying eastward from America with an equal number lying on the western side. A myriad of long routes for travelling by water meet and intersect in the small canal zone.

It is a truism that commerce binds nations together and that the international bond is closer the more dependent on each other the nations come to be. The commerce between a country having much land and few people and one that has little land and many people is essential to both of them. England thus clothes other countries and is fed by them. The commercial bond is close between any two regions that in an economic way are as unlike as are temperate regions and tropical ones.

All trade is essentially barter. It pays New England to send cotton goods, paper, machinery, etc., to the West Indies in exchange for bananas and pineapples rather than to try to cultivate these fruits; and it pays the West Indian to acquire the manufactured goods thus indirectly rather than to attempt directly to make them. Densely peopled regions and sparsely peopled ones make similar gains by exchanging products. A land of shops and factories thrives by commerce with a land of flocks, herds and grain fields.

Usually countries of dense population are advanced in a technical way. They abound in mills and shops and they use improved methods and machinery. China, however, is densely peopled and its industrial methods are still primitive. The sea that separates her from America is narrower than was once the English Channel, and it might seem that here were found the countries of the greatest commercial affinity between which incentives to trade would be at a maximum.

It is not so. The mere density of the population of China, by providing an unlimited supply of cheap labor, somewhat neutralizes the effect of American machinery, and unlike as in many ways the two countries are, there is more of similarity than of contrast in their products. In both of them the internal commerce greatly overbalances the foreign. Both of them are highly civilized and have developed the refinements of life to an extent that calls for a wide range of commodities. In America the goods are made for us by the deft fingers of tireless machines, while in eastern Asia they are, for the most part, made by trained hands. The amount of labor required for a given product is enormously greater in Asia; but the difference in cost between making the goods in Asia and making them in America is far less than it would otherwise be. It is the familiar rivalry of machine and cheap labor, and while the machine wins, yet so long as it is used by an American worker, it does not win by such a margin that it can immediately drive the Asiatic worker out of his trade. If used by an Asiatic worker, it can and will do this. It is foreordained that Asia shall go the way of western lands that have put machines in the place of trained hands, and when that happens the entire world must take note of it, and the canal will have a new work to do.

In estimating the effect of the canal on the relation of the United States to South America we do not have to assume that the industry of the latter continent is about to undergo such a sweeping transformation as is to be expected in Asia. The importance to America of lanes of commerce that intersect at Panama lies partly in bringing our eastern states into connection with the western part of South America. From the Pacific states of South America we can draw ores, fertilizers, and, in general, raw products, in exchange for some other raw products and a variety of manufactured ones. By aid of the canal we can greatly increase the volume of such traffic, but the new connection is not likely to transform the industry of the southern continent.

With Eastern Asia the case is different. From the first there will be some exchanging of raw products and much exchanging of highly wrought ones. We shall bring thence tea, rice and raw silk, and from the neighboring islands at the south we shall bring hemp and sugar and tobacco; but we shall also bring from China and Japan art products and many highly wrought specialties. We shall send to them refined oil and agricultural produce, together with tools, machines, and a varied assortment of finished goods. Our importations from Asia will thus combine agricultural products with industrial ones; our exports to Asia will do the same, and the traffic at first will be much smaller than it would be if the products of the two regions were generally unlike. Between the two lists of goods produced in North America and in Eastern Asia respectively there is not, if we take each list in its entirety, as radical a difference as there might be.

The character of the traffic between these vast regions will change much with the rapid modernizing of Asiatic production. We have not merely to look at China and Japan as they are and try to see what special advantages are at present offered by the exchanging of one or another kind of goods. Our problem becomes far more interesting when we consider what China and Japan must and will become in the near future. The machine is nearly omnipotent and may be trusted to control the history of Asia. Man makes it, indeed, but it controls him and shapes the

destiny of his race. The ingenuity of one inventor devises an engine of production, and the labor of a few mechanics constructs it; but it then multiplies like a prolific animal and in the end dominates men and shapes empires. All the while it serves men like a genie of the lamp. Machines have utterly transformed the economic shape of much of the world, and they will continue to do this on a grand scale as soon as the close connection of Eastern Asia with Europe and America shall have produced its natural effect.

Asia is bound to repeat the history of Europe and America in so far as the arts of industry are concerned. How many decades this will take it would be rash to prophesy. How many detailed processes now used in the West will be adopted in the East during each decade of the twentieth century no one can positively assert; but the general fact that hand labor will gradually yield to machine labor, in Asia as everywhere else, is surer than the average fact of history. Some prophecy is surer than some history, and that which predicts the triumph of the machine is one of the prophetic certainties. On this point we can reverse Webster's familiar statement and say, "The future, at least, is secure." We know that Asia will introduce machinery on a great scale, that the whole world will be powerfully affected by this change, and that our own relation to Asia will be dominated by it.

This will happen partly because machinery everywhere excels hand labor; but in this case there is a further and very decisive reason for it. Machinery has its best field in a country of dense population. It takes time and a struggle to introduce the machinery of manufacturing into a new country where land is abundant and men scarce. Where land is scarce and is worked to the final limit of intensiveness, the produce per man is small and wages are necessarily low. Such a country is compelled to go into manufacturing and can afford to undersell the world in the products of it. The poverty of its agriculture is its key to success as a competitor in manufacturing. If the Chinese laborer can earn only fifteen cents per day on the farm, he can get only a little more than fifteen cents in a workshop; and when a mill with modern machinery has supplanted the workshop and is run by men who get twenty-five cents per day, it can undersell a mill in a richer land. China and Japan taken together have the capacity to become ultimately the great workshop of the world.

Does this mean a real "yellow peril" for the remainder of mankind? If the transformation came all at once, it might mean this, and it would certainly mean a violent overturning in China itself. If the change comes quite gradually, it may involve no peril but an assured gain for western countries and a greater one for China.

We need to know what parts of the world will be the natural customers of the manufacturers of the East. Strictly speaking, commerce is between occupations rather than between localities. The weaver and the tailor clothe the farmer and the farmer feeds them, though they may all happen to live in the same township; and it is only in a secondary way that one can speak of one country as being agricultural and of another as being industrial. Farmers buy more of the goods manufactured by their own countrymen than of goods manufactured by foreigners, and for an indefinite time—probably for centuries—this will hold true in Eastern Asia, though even a great region like this can never supply its wants altogether by its own direct production. Long before Asia will have developed its manufacturing as fully as it is now developed elsewhere it will begin to export some of the products of it, but the amount that will come to Europe and America will be restricted by several influences. Mere inertia—the slowness with which the transformation of an economic system proceeds—will protect the present generation of western producers. Japan has modernized itself with brilliant rapidity, but even she has made only a beginning in the introduction of western machinery. The question that can be intelligently asked is whether, in later generations, western countries will encounter a real danger from this rivalry of eastern manufacturers, and whether, for fear of it, we shall suffer from a recredescence of extreme protectionism. Shall we ever need a Chinese wall to bar out the products of China?

It is conceivable that the "pauper labor" of the East, with machinery at its command, might play the part in discussion with which we have been made familiar in the case of the so-called "pauper labor" of Europe, and a prohibitory tariff might be called for in the platform of some party. As bearing on this question there are a few more points on which known economic tendencies enable us to form assured opinions. One is that, in Asia, the different productive arts will be modernized one by one, and not all together; and another is that, for many years, the principal markets supplied by every one of these modernized industries will be found within the boundaries of the Asiatic empires themselves. If we include with Japan that portion of the mainland in which she has lately become dominant, we may say that three vast oriental empires—those, namely, of Japan, China and Russia—with all of which the Panama Canal has brought our Eastern States into closer connection, will slowly remodel their economic systems and bring them into closer resemblance to those of the West. They will do this in the order in which they are here named, Japan being the first to accomplish it, Asiatic Russia the last and the Chinese Empire being between them in the succession. It will take time to transform even the industries of the first of the three empires, and a very long time to transform those of the last.

Again, when the exporting of manufactured products from one of these regions takes place on a large scale it will seek pre-eminently those parts of the earth which offer the greatest gain from the interchange, and that means agricultural and mining regions. Raw materials and food will be what the industrial populations of Asia will chiefly need. The strongest affinity, so to speak, of such centers of manufacturing will be with the interior districts of the Chinese empire and the limitless stretches of Manchuria and Siberia. Unless political obstacles intervene, traffic of great usefulness and equally great profit should exist between these regions. The Pacific States of North America will have something to offer to the developing industrial populations of Asia, and with them, as with Siberia, the connection will be made quite independently of the Panama Canal. With Atlantic states the case is quite otherwise. Brazil, the West Indies and the old "Spanish Main" will be brought commercially within reach of Japan by the Canal route. Argentina, however, is already reachable by way of Cape Horn and the Canal will not greatly affect her dealings with the East, which will be large in any case. The products of the new industrial centers of Asia will seek out such regions as markets and if commercial "buffer states" are needed to ward off from our industrial centers the impact of Asiatic competition, these and similar regions will furnish them.

We are chiefly interested in knowing how the eastern half of the United States will be affected. It is here that industrialism has its chief home and here, if anywhere, Asiatic rivalry will be dreaded. It is therefore in connection with what may happen to this region, with its vast production, that a broad and clear view is most needed. What I venture to predict is that there will be a large increase of traffic between Eastern America and Eastern Asia and that the exportation of manufactured goods to that great region, taken as a whole, will not be reduced by the modernization of Asiatic production. The time will doubtless come when we shall import goods from the workshops of Japan and China. They will consist of special products for making which those countries are particularly well adapted. It would be strange if we should not import from that region products of silk. Thanks to the presence

of machinery in America, the absence of it in Eastern Asia, and a high protective tariff, we now import from them relatively little manufactured silk; but with the tariff even as high as it is and modern machinery introduced into the East, the situation would be otherwise. It will be found, however, that every case of silk that shall come from those countries will create a demand for other manufactures in the making of which we shall for an indefinite time have the advantage. And we shall export them in greatly increased quantity because of the new and abounding wealth of the Eastern lands.

The indirect effects of modernizing the industries of the East are too complex to be more than alluded to here; but it is a perfectly safe prediction that the general development which will take place in the East will make that vast region a better and better customer for the producers of the West, and that an influx of riches measured and expressed in gold will be the only "yellow" incident in the case. Within the vast confines of the three great empires the "dynamic" movement that is going on will open more markets for American products than it closes. A narrow view might lead some men to think otherwise, and a narrow policy might lead a country to act otherwise than in the way that would secure for itself the largest benefit from this development.

There is an immigration problem too vast to be more than mentioned here; but it is evident that the modernization of Asia will, as far as it goes, reduce the incentives for emigrating from that continent. The richer Asia becomes, the higher will be the standard of living of its people; and this will make them better customers if they stay where they are, and will cause more of them to stay there.

In general, it is the common interests of mankind that will be promoted by the use of the Panama Canal, and the gains will be those in which all nations will participate. If we divide the world into two hemispheres by a meridian running through the Pacific and the Atlantic, the commercial center of one hemisphere will be at Panama and that of the other at Suez. At these points routes innumerable intersect, and through each of the artificial straits will pass an ever increasing volume of commerce. Relatively the increase of the traffic through the Panama Canal will be the greater, and long before the time when the full economic transformation of the Pacific countries will have been established it will take more than one channel across the American isthmus to accommodate it. No traffic which the present generation will witness will constitute more than a tithe of that which will be seen in the future, and no figures that anyone would now dare to make will measure the wealth that will ultimately flow from it. The chief single fact about the canal is its aptitude for becoming a vital world asset, from the use of which, under a far-seeing policy, our land and all lands will thrive. It should be no cause of contention, but a bond of fraternity and assured peace.

THE RECONSTRUCTION OF HANKOW

CHINA'S COMMERCIAL AND INDUSTRIAL CAPITAL.

From The Far Eastern Review.

Ever since the fateful fire which destroyed the Chinese city of Hankow during the Revolution of 1911-12 it has been generally known that the Chinese Government has been desirous of rebuilding the city upon modern lines and making other improvements in the vicinity compatible with the importance of such a flourishing commercial and industrial center. It was, therefore, not surprising when it became known that an agreement had been signed between the Central Government and Messrs. Samuel and Company, of London, on September 17th, for a loan for this purpose. The agreement provides that the loan, which is to be known as "The Hankow Improvement Loan," shall be for £10,000,000 at five per cent. interest, and shall be issued in one or more series at a rate to be determined upon by the parties after the conclusion of hostilities in Europe.

The object of the loan is to develop and improve the city of Hankow, and, in particular, to purchase and reclaim the necessary land for new roads and to construct roads; to construct a bridge or tunnel to connect the north bank of the Yangtze River with Wuchang; to construct a bridge, or bridges, to connect the cities of Hankow and Hanyang; to provide a tramway system; to construct a canal with the necessary bridges at the back of Hankow city between the Han and Yangtze rivers; to build wharves; to provide funds for the purchase by the Government of the existing Electric Light and Waterworks Company's undertakings at Hankow; to provide such further improvements as may be found necessary to improve the city of Hankow, in accordance with modern practice (e. g., the construction of embankments, drainage schemes, etc.); to provide funds for the establishment and maintenance of the Hankow Improvement Bureau to be established by the Government for the administration of the Hankow Improvement Scheme, and for the purchase of all necessary equipment required by the same, also to provide for the establishment and maintenance of the necessary police force required owing to the extension of the city; and to furnish an adequate margin of funds to insure the maintenance of interest payments, pending the completion of the works.

The loan is to be guaranteed by the Central Government and in addition is to be secured by a first mortgage on the property purchased and created with the proceeds of the loan funds, and the revenues of undertakings initiated under the scheme. The period of the loan is to be forty-five years; the interest to be paid half-yearly. The Government will guarantee that the loan shall be free from all present and future Chinese taxes and imposts.

In order to insure judicious expenditure of the funds devoted to the purchase of land the Government and Messrs. Samuel and Company, Limited, will by mutual agreement appoint a commission under the presidency of the High Commissioner, and composed of two Chinese and two foreign members, to undertake the work, no purchases to be effected without the approval of a majority of the Commission.

The engineering work will be supervised by an engineer who shall be an acknowledged expert in town planning, his appointment to be made by the Government with the approval of Messrs. Samuel and Co., Ltd. He will act as engineer-in-chief to the Hankow Improvement Bureau, and will make plans, estimates, and specifications; and generally advise the Bureau regarding the most suitable and economical methods of carrying out the work of remodelling the city of Hankow, building bridges, reclaiming land, installing a tramway system, etc.

The agreement provides that in the purchase of materials Chinese materials shall, where possible, be specified, and, when materials of foreign manufacture are purchased British materials shall have the preference with due regard to quality and price.

How important it is that the Central Government should take advantage of the destruction wrought by the Revolu-

tion to make of Hankow an up-to-date and efficiently equipped city can be gauged by a study of its location in relation to the rest of China and of the natural resources which are within reach for great industrial development. A glance at a map of China will show that it is placed in an extraordinarily favorable situation to command the trade of a vast portion of the Chinese Republic. It is situated on the great Yangtze River roughly at an equal distance from the north and south, and forms, or will form, the point of junction of the Peking-Hankow and Canton-Hankow railways and will be the point of radiation of other lines running into the province of Szechuan, and eastwards to the sea.

On the opposite side of the Yangtze River is the Chinese city of Wuchang, famous as the starting point of the Revolution which resulted in the overthrow of the Manchus and the inauguration of the Republic, and on the opposite side of the Han River, which flows into the Yangtze River at this point, is the city of Hanyang, where is situated the Arsenal and Iron Foundry.

On the down-river side of Hankow native city, the one to be rebuilt, are the foreign concessions. They stretch along the left bank of the Yangtze and give an air of solid prosperity to the locality.

Wuchang is actually the capital of the province, and is a walled and fortified city with a population estimated at about 250,000. Though not officially opened to foreign trade, its very propinquity to the open port of Hankow is bringing it into more intimate relations with foreign trade. It is the site, too, of some of the recent industrial undertakings of the Chinese, among which are the Wuchang woolen mill, the cotton mill, and Diederichsen's albumen factory.

Wuchang is situated at the narrowest point of the Yangtze River, the stream being narrowed between two opposite heights, with Snake Hill on the Wuchang side and Tortoise Hill on the Hanyang side. The current of the river is restricted between these two low bluffs to a breadth of 3,000 feet, and it is at this point that it is proposed to bridge the stream and by this means to bring the railways to the north and south into direct connection and thus to form an easy means of communication for the thousands of passengers who daily pass to and fro between the cities on the north and south banks of the river.

Slightly northeast of Wuchang, in the obtuse angle formed by the junction of the Yangtze and Han rivers is situated the port or "mart" of Hankow. The Chinese city is at the actual junction of the two rivers. Adjoining the Chinese city on the east we have the British, French, German and Japanese settlements, each facing the Yangtze River front, which is bunded for a distance of some three and a half miles.

Immediately opposite Wuchang, and in the acute angle formed by the junction of the Han River and the Yangtze, is situated the city of Hanyang, which takes its name from the two rivers. Its population may be estimated at approximately 70,000, and it owes its existence as a city to the location in this place of the Hanyang Iron Works, founded by the late Chang Chih-tung. These iron works obtain their ore from the Tayeh mines, seven and a half miles south of the Yangtze, at a point seventy miles below Hankow, while coal comes from the Pinghsiang collieries in the province of Kiangsi, the three industries being combined in one joint stock company, the Hanyehping Coal and Iron Company. The company's exports abroad in 1909 amounted to 37,600 tons and in 1910 to 63,700 tons. New machinery was installed to bring the output to 800 to 900 tons per day. The iron works have supplied many of the railways in China with rails, etc. The employees number some forty Europeans and several thousand Chinese. In Hanyang there is also situated the Government Arsenal, where various types of arms are manufactured.

For all practical purposes Hanyang may be considered as forming merely a suburb of Hankow. The construction of a fixed bridge across the Han River will probably not be practicable, owing to the sudden and great changes in the height of the water level. It is therefore proposed to facilitate the communication between the two cities of Hanyang and Hankow by means of a transporter. When this is completed the three cities will practically be welded in one.

Even before the revolution it had long been apparent to the Chinese Government that the condition of the city of Hankow was unworthy of the premier industrial and trading center of China, and still more so of the future development of Hankow as the strategic center of the Chinese system of railways and waterways. The Han River was, and is, always choked by the enormous numbers of native craft plying upon it. Excepting for the wharves of the China Merchants Navigation Company, and those of Messrs. Butterfield and Swire, there are no facilities for loading and unloading goods from steamers in the native city, the only accommodation provided in this respect being situated in the foreign settlements. The Chinese city of Hankow, with its swarming population, was restricted to a very small area, with narrow, dirty and insanitary streets. No proper provision for intercommunication existed between the three cities whose aggregate population was at least 1,400,000. No proper scheme existed for the extension of the city which must follow on the further opening up of China by railways, and the further increase in its foreign trade.

In 1911 the three cities formed the center of the fighting between the Imperialists and the Revolutionists. The actual signal for the premature outbreak of the Revolution was given by the explosion of a bomb which occurred in a house in the Russian Settlement at Hankow. This led to the discovery of the plans of the Revolutionists, who, seeing their plans exposed and having a large part of the garrison of Wuchang on their side, struck. In the fighting which ensued Hankow and Hanyang were taken and retaken by Imperialists and Revolutionists, while Wuchang remained in the hands of the Revolutionists throughout. Foreign settlements were respected by the belligerents and suffered no other damage than may have been done by a stray shell. On the final capture of the native city of Hankow by the Imperialists and before peace could put a stop to hostilities the city was burned to the ground, and upon its ashes the ultimately established Republican Government decided to build a city upon modern lines. However, their good intentions were frustrated owing to financial stringency and the Chinese began to rebuild of their own accord upon lines almost similar to the old conditions, though the roads have been considerably widened by the authorities refusing to issue building licenses except upon the understanding that buildings were to be set back three feet from their former site. Now that the Government has entered into an agreement with Messrs. Samuel and Company, Limited, steps will be taken, when the time arrives, to put into effect many improvements so that the city may take the place it ought to occupy as the leading commercial and industrial center in China.

Trade to Hankow from the south now chiefly finds its way by various waterways to the Yangtze, but this trade will be greatly facilitated and augmented by the completion of the Canton-Hankow Railway now in course of construction. A further link will be forged with Western China by the completion in the next few years of the railway to Szechuan, a joint British, French, German and American enterprise, while further feeders such as the Shasi-Shingyi line are already contracted for or contemplated. The construction of the Sinyangchow-Pukow Railway, being built with British capital, and other lines will also contribute to the growing trade of the city.

Disregarding for the moment the construction of these new methods of transportation which will facilitate the

movement of goods and people along the already defined lines of travel in China, it will be seen that Hankow commands the trade of the whole of central China moving along the waterways which form the main arteries of traffic. Thus it receives the whole of the river-borne trade from the provinces of Hupeh and Szechuan, which reaches Hankow along the Yangtze and its tributaries, and taps a region with a population of 78,110,000 for Szechuan, and 34,000,000 for Hupeh. The river Han, from which Hankow, meaning "Han mouth," takes its name, brings to it the trade from northern Hupeh, Honan (with an estimated population of 22,100,000), and southern Shensi. The Tungting Lake and its feeders contribute the trade from the south of the province of Hupeh, the province of Hunan (with an estimated population of 22,000,000), and part of the province of Kweichow. While Hankow is thus favorably situated for steamer traffic from the west of China, and from Hankow itself to the eastern provinces, it must be borne in mind that the city is the highest point on the Yangtze to which ocean-going vessels of light draught can ascend at all times of the year, while during a very large portion of the year it is accessible to ocean-going steamers of the deepest draught. During the months of April to October, when the Yangtze is high, ocean-going steamers of 15,000 tons burden may be seen lying alongside the wharves of Hankow, 600 miles or more from the sea, while on one occasion the British first-class battleship *Glory* anchored off the bund.

Reliable statistics as to the population of Hankow, Hanyang and Wuchang, of which it forms a portion, are not forthcoming. In Captain Blackiston's account of Hankow in his survey of the Yangtze River when the place was first opened to trade on the conclusion of the Treaty of Tientsin, 1860, we learn that the city was then already a place of great importance. This expedition commanded by Admiral Hope ascended the Yangtze River for the purposes of survey, and in order to throw open to trade the ports of Chinkiang, Wuhu, Kiukiang, and Hankow, and to establish consulates there. During the fifties and early sixties the whole of central China was ravaged by the Taiping rebels. Little was heard outside of China of the wholesale destruction of human life and property that occurred in the interior of the country during the years that the Taipings were in possession of most of the Yangtze region. The ravages of these rebels were only observed by foreigners in the vicinity of the then opened Treaty ports such as Shanghai; but after the rebellion was subdued by the exertions of Chinese statesmen, such as Tseng Kuo-fan and Li Hung-chang, with the co-operation of General Gordon, whose services were lent to the Chinese by the British Government, and on the opening of the Yangtze region as a result of the Treaty of Tientsin, it became apparent that the whole country, lately the most prosperous portion of the Chinese Empire, had been to a large extent depopulated. Reliable authorities have calculated the loss of life in China owing to the Taiping and the Mohammedan rebellions at approximately 100,000,000—c. f. Putnam Weale in "Conflict of Colour."

No better instance of the extraordinary recuperative powers of the Chinese nation, and of the productiveness of the Yangtze region, can be adduced than the fact that in spite of this wholesale slaughter, the ruined cities were soon rebuilt, the countryside which had reverted to a jungle, interspersed with ruined villages, was soon repopulated and cultivated, and during the forty years of peace which elapsed between 1860 and 1900 the population of the Yangtze area recovered to a point higher than it had ever attained to in Chinese history. Trade at all Yangtze ports showed a rising curve during all these years, but first and foremost the trade of Hankow, as attested by the returns of the Maritime Customs Revenue, increased out of all proportion to all others, owing to the exceptional situation of the port, which has been described as the Chicago of China. In the "China Year-Book," 1913, the estimated population of Hankow, exclusive of the sister cities of Hanyang and Wuchang, is given as 826,000, while that of the province of Hupeh, of which Wuchang, with its sister cities of Hankow and Hanyang, is the capital, is given as 34,000,000 (Customs estimate, 1910, 34,000,000; Chinese official census, 1885, 33,600,000).

Thus we see Hankow as the trading portion of a group of three cities with a total population of something over 1,000,000, is situated in the strategic center for trade purposes of the principal provinces of China, namely, Hupeh, Hunan, Honan, Szechuan and Shensi, each of these provinces being equal in area and population to a European state of the first order. The aggregate population of these provinces is not less than 158,000,000, or about the same as the combined population of Germany, France and the British Islands, with Belgium and Holland thrown in. Many of the provinces of China contribute to Hankow's import and export trade, and again a large portion of the trade contributed by the millions of inhabitants of Central Asia finds its outlet to the sea at Hankow, while their requirements are imported through the same avenue.

THE BRIDGE OVER THE YANGTZE.

In this suggested structure provision will be made for a roadway thirty feet wide, two six-feet wide cantilever pathways, and a single line of railway.

The type of bridge at present suggested is a constant level floating bridge some 3,750 feet long, provided with twin opening spans electrically operated, giving a clear waterway of not less than 200 feet for the passage of steamers plying between Hankow and Ichang, which are much smaller craft than those trading between Hankow and down-river ports.

It is considered that a structure of this particular type has many advantages in overcoming some of the difficulties in foundation works. The general idea embodied in this important structure was detailed in one of the competitive designs for a bridge over the Hooghly at Calcutta. The constant level floating bridge has a decided advantage over an ordinary floating bridge which would rise and fall according to the considerable variation of the level on the Yangtze. It is thought, however, that this extreme variation in water level may necessitate, for economical reasons, having moderate gradings from each bank of the river towards the center of the bridge.

In order to maintain the bridge at constant levels the submerged pontoons carrying the superstructure will be anchored down at and below the low water level of the river by means of tension rods, which will, in turn, be attached to groups of cylinders sunk deeply into the bed of the river. Consequently there is always an upward pressure exerted by the pontoons, and the stress in the abovementioned tension members never becomes zero and is only reduced by the full application of the external load which the bridge is designed to carry.

It is estimated that one group of steel cylinders forming a "foundation" to sustain the upward pull as a swing span would entail the use of some twenty cylinders not less than 16 feet in diameter, while the ordinary fixed span groups for the same purpose would each need twenty cylinders not less than 10 feet in diameter as a foundation. The submerged pontoons providing the floating power to carry the superstructure would be of considerable length and diameter, strongly framed internally and divided into numerous watertight compartments. Provision will be made to remove cylinders for repairs as necessity arises. Until the necessary investigations at the site are concluded it is impossible to indicate more than the present general intention of those responsible for carrying into actual effect this large and much-needed bridge, which will certainly rank as an undertaking of the first magnitude, involving as it will considerable engineering difficulties.