Mukden, October 2nd 1909

Dear ffrench:-

Sorry, but here you are, signed. I had Fletcher's wire and agree quite that it would be better to have had you put your name to the document. The Chinese however took the bull by the horns. I told them on Thursday that I would wire you the provisions of the agreement. They said that they would sign on Saturday but I did not think that there would be any difficulty in postponing the signature in case you did not wish me to act for you, and since they seemed anxious to sign, consented. On Friday the Commissioners of F. A. came here and wanted to make a minor change in the Loan provisions. This I said I would have to refer, I said I thought that my answer would come today. Without waiting for further word from me the Viceroy wired the whole thing to Peking this morning. I notified the F. O. that you were coming and that we could sign on Monday. At noon the F. O. sent a man down and said the Viceroy wanted to refer the question to Peking. I told them that this was not playing the game and that they had promised to sign first. I strongly objected to their referring it while you were on the way up. The man said he would report to the Viceroy. He returned in half an hour saying that the telegram had gone off this morning but that if I would sign today it would be all right for they would then be without instructions and could act for themselves. A few minutes later the Commissioner of Foreign Affairs came down and said that the telegram had already gone. It would appear that the Viceroy had wired that he had signed and taken the risk of doing so without Peking's approval. It would appear that the Viceroy had wired that he had signed and taken the risk of doing so without Peking's approval. He feared that if we did not close today Peking might jack him up and that he would be obliged to delay indefinitely. Since this was the situation, and it appeared that we might lose certainly a great deal of time and perhaps an opportunity that would not return I told them that I would sign and did so without authorization from New York. I had telegraphed yesterday. "Unless differently instructed will sign tomorrow." No word yet. So perhaps my first and last signature as representative of the Group has been registered. It was a long chance but it seemed up to me. This goes by Bland. I shall wait for ffrench and probably come on Monday morning, reaching Peking by the express Tuesday morning. I shall wire on leaving Shanhaikuan. Yours,

The Willard Straight Papers at Cornell University
Gentlemen:

Supplementing my L. No. 20 of September 23rd. I have to report that I signed the Preliminary Agreement for the Chinhou-Aigun Railway at half past seven o'clock last evening on behalf of the American Group and Pealing and Company. The circumstances precedent to this action are given below.

On Monday September 27th. Lord ffrench and myself called upon His Excellency Hsi Shih Chang, President of the Board of Communications to discuss this project. He stated that, himself favored our plan and was prepared to give us his support. He said, however, that it would be necessary for us to deal first with the Viceroy of Manchuria and the Wei Wu Fa.

Since the Grand Counsellor Ha Tung, President of the Foreign Office, had a few days previously informed me that we must take the matter up with the Viceroy of Manchuria and the Board of Communications we felt that His Excellency Hsi was endeavouring to put us off. We later learned through the Grand Counsellor Shih Hsiu that on Friday morning, the 24th., the Prince Regent and the Grand Council had approved the Railway project and that Hsi Shih Chang had been prepared to come to terms. On Monday morning, however, Ha Tung, who it is believed has for some years been under Japanese influence, presented a memorial approving our plan but urging that, since an arrangement had just been concluded with Japan regarding Manchuria, it would be unwise to make a Railway Agreement which might meet with Japanese opposition. Shih Hsiu states that he found it impossible to overrule Ha Tung, and Hsi Shih Chang was instructed to remain non-committal.

It was then decided that in case we could persuade the Viceroy of Manchuria to memorialise regarding this project Ha would not dare accept the onus of interfering with, and blocking, an enterprise so obviously calculated to relieve the Manchurian situation. Since ffrench had already seen H. E. Hai Liang, the Viceroy, it was deemed wise for me to proceed to Mukden, consult with the officials here, and succeed, at least, in confining future negotiations to Peking. ffrench thought it best not to accompany me, and furnished me with a note to the British Consul-General who informed the Viceroy that ffrench and I were in accord and that I could act for him. We had not anticipated being able to
to persuade the Viceroy to sign the Preliminary Agreement.

Leaving Peking on Tuesday morning I reached Mukden the following day. The Viceroy and Governor that afternoon approved the general lines of our draft agreement. We continued the discussion on Thursday and the Viceroy who had in the meantime consulted the high provincial officials stated that he would close on Saturday morning. Since he was prepared to act first and report afterwards, thus forcing the hand of the Peking Government in a manner even more radical than we had hoped Indecisive not to dampen his ardor and agreed to his proposal. I wired ffrench asking for authority to sign for his principals. I did not communicate with you because I hourly expected a reply to my telegram 81 of September 26th., and because the provisions of the draft agreed upon were so general that I felt you could with ease withdraw should you desire to do so.

On Friday morning, however, the Commissioner of Foreign Affairs, at the instance of the Viceroy, asked me to insert the amount of interest, and also to state the price of the bonds to the Administration, in the Preliminary Agreement. As the Viceroy, although an able and determined man, is an official of the old school, unaccustomed with foreigners or foreign ways, and therefore suspicious and obstinate, I agreed to the provision telegraphed to you on the 1st. of October, and now embodied in the Agreement. Owing to this change in the draft agreed upon I stated that I must refer to you before signing. I added that the reply should reach Mukden the following day.

On Friday night I received word through Mr. Fletcher that ffrench approved the Agreement in principle but preferred to sign himself, and would arrive on Sunday night. On Saturday morning therefore I notified the Viceroy that ffrench would be here and that we might sign on Monday morning. At noon a Yemen Secretary came to inform me that the Viceroy wished to telegraph the text of the Agreement to Peking for approval, and desired my views. I pointed out that I would have signed on Saturday had the Viceroy not made the change on Friday. The Secretary stated that the Viceroy was very angry, that he had wished to sign that day and could not understand why I had to wait for instructions nor why I suggested waiting for the arrival of Lord ffrench. I further pointed out that I had wired you that the Viceroy would sign and then memorialize and that if he should telegraph before signature it would be necessary to alter the Agreement as prepared.

The Secretary reported and returned in an hour. He said that the telegram had already been sent and that the Viceroy wished me to sign at once before he could receive a possibly unfavorable reply from Peking. A few minutes later the Commissioner for Foreign Affairs came on the same errand. He pointed out the risk of delay and urged me to conclude at once. Although not so stated, I am convinced that the
telegram to the Throne reported that the Agreement had been, or was about to be, signed.

When I left Peking we had hardly hoped to do more than persuade the Viceroy to memorialize. Since he was prepared to take the risk, I feared that to refuse signature would so prejudice him that a subsequent understanding might be impossible, and although his tenure of office is uncertain it is not sufficiently so to make it possible to offend him with impunity.

In view of this situation I took the responsibility of acting without your instructions because ample time had been allowed for the receipt of a wire from you, and none had come; because I felt that this Preliminary Agreement did irrevocably commit you; because French and were fully agreed, in our previous conversations, that it is sometimes necessary to act quickly to save a situation, and in this case his principals were fully protected.

I have already reported the delicate adjustment and daily shifting of the political situation at Peking and I am convinced that by committing the Viceroy and Governor even to the extent of signing this Preliminary Agreement we have established a claim which Japan cannot well openly oppose. If on the other hand the memorial had been telegraphed without being based on a signed agreement there would have been far greater opportunity for Japenese intrigue and secret pressure.

I fully realize that I have exceeded my instructions and am fully sensible that my previous telegrams to you and the

\[\text{The Willard Straight Papers at Cornell University}\]
Preliminary Agreement Providing for the Financing, Construction, and Operation of the Railway from Chinchou to Aigun.

This Preliminary Agreement to provide for the financing, construction, and operation of the Railway from Chinchou to Aigun is made between

Their Excellencies the Viceroy of Manchuria and the Governor of Fengtien, hereinafter called the Administration, of the one part, and

The American Group and its Associates (such associates to be admitted to participation with the full consent of, and to the extent not more than forty per cent of the whole, to be determined by, the Chinese Government) hereinafter called the Bank, and

Pauling and Company, hereinafter called the Contractors, of the other part:

Now it is hereby mutually agreed by and between the parties hereto as follows:

1. The Administration engages to borrow from the Bank the sum necessary to construct the railway from Chinchou to Aigun. The rate of interest for this loan shall not exceed 5% per annum, and the terms of issue, which shall be the most favorable obtainable, and the other details of procedure shall be arranged in a mutually satisfactory manner.

The payment of interest and amortization of this loan shall be guaranteed by the Imperial Chinese Government, and the security therefor shall be the railway line.

Interest payments and amortization shall be met by

by the receipts of the railway or the proceeds of the loan, and if these be insufficient, by such Manchurian revenues as may hereafter be selected by the Administration and the Bank in a manner to be mutually satisfactory.

The first bond issue shall be for the amount necessary for the construction and equipment of the railway between Chinchou and Taitsihar. The second shall be for the construction and equipment of the railway between Taitsihar and Aigun.

An equitable arrangement shall be made for the redemption of the bond issues by the Board of Communications prior to the expiration of their terms.

II. The Administration agrees to contract with the Contractors for the construction and equipment of this road. The Contractors engage to build and equip the line using the best possible materials on the cheapest possible terms.

The detailed terms and conditions etc. shall be arranged hereafter in a manner that shall be mutually satisfactory.

III. On equal terms Chinese materials shall be given the preference. If however Chinese materials are not available recourse shall be had to other markets.

The Administration shall be liable to the Contractors only for the contract price of the railway and it is clearly understood that no commission shall be paid on the purchase of materials.

IV. During the construction of this railway the appointment of the Chief Engineer shall be vested in Pauling and Company but this appointment must be approved by the President of the Railway Company to be designated by
Imperial Chinese Government. The Chief Engineer shall be under the control of the Board of Communications and the Railway Company.

V. As the work of construction is completed section by section the railway shall be operated, during the currency of the loan, by a company which shall be under the control of the Board of Communications. If after the payment of interest and amortization charges, and operating expenses, there be a surplus the Railway Company shall receive 10% thereof.

VI. The Company shall be composed of Chinese, Americans and British as may be hereafter arranged, the Chinese to have a majority interest in the control, but under no circumstances shall persons of any other nationality than those herein mentioned, have any voice in the management or control of the Company without the full permission of the Imperial Chinese Government.

The Company shall have as its President a High Official appointed by the Imperial Chinese Government. The other details of organization shall be subsequently arranged in a mutually satisfactory manner.

VII. This Railway Company is to be organized by Chinese, Americans and British interests. It is recognized however that this line is constructed in Chinese territory for commercial purposes and in case of war may be used only for the transportation of Chinese troops and munitions of war.

VIII. This Preliminary Agreement is signed by Their Excellencies the Viceroy of Manchuria and the Governor of Fengtien with the Bank and the Contractors subject to approval by Imperial Edict, without which it shall be null and void.

IX. In case certain portions of this Agreement are characterized as unacceptable by the Imperial Edict or in case the Administration finds on further consideration that there are certain unsatisfactory provisions therein, these clauses, to which exception has been taken, shall be revised in the detailed Agreements in a manner which shall be satisfactory to all parties.

X. This Agreement is executed in triplicate in English and Chinese, one set to be retained by Their Excellencies the Viceroy of Manchuria and the Governor of Fengtien, one set by the American Group, and one set by Pauling and Company. In case there be any misunderstanding arising from a difference between the English and Chinese texts the matter shall be settled by a mutually satisfactory arrangement.

Signed at Mukden by the contracting parties this Nineteenth Day of the Eighth Moon of the First Year of the Emperor Kuang Tung, being the Second Day of October of the Year One Thousand Nine Hundred and Nine of the Western Calendar.

[Signatures]

The Viceroy of Manchuria and the Governor of Fengtien.

For J. P. Morgan and Company, Kuhn, Loeb and Company, The First National Bank, The National City Bank, of New York, Constituting the American Group,

[Signatures]

For Pauling and Company,

[Signatures]
Chinohou-Aniar Railway.

Shahalzuan, October 4th, 1909.

Messrs. J. P. Morgan & Co.,
For The American Group,
83 Wall Street,
New York.

Gentlemen:

Supplementing my L. No. 21 of yesterday's date I have to report that Lord ffrench reached
Makden last night and approved my action in signing for him.

1/ A letter to this effect is herewith enclosed.

Your telegram 1st and 2nd, unsigned and unnumbered reached me last night at eleven o'clock. My reply was
filed at six thirty this morning.

2/ I also enclose for your information a copy of
the translation of the Imperial Edict communicated to the
Viceroy by telegraph and handed me last night. The tenor
thereof is extremely satisfactory and the promptness of the
Throne's action, which was most extraordinary, assures well
for the early issuance of the final Edict approving the
Preliminary Agreement.

The Agreement between the American Group and
Pauling and Co. draft for which is herewith transmitted,
differs little from that already in your possession. I shall
defer

L. No. 22.

defer signature pending the receipt of your instructions.

Lord ffrench must also await the action of his principals.

His position is complicated by the fact that Pauling and
Co. have certain engagements with the Regie Generale of Par-


The Willard Straight Papers at Cornell University
The whole question of admitting non-American capital to participation in this enterprise is a very delicate one and I trust that you will keep me fully advised as to your intentions in this regard. It will be well, certainly, to give Russian interests a share. Mr. Frank considers that the Russo-Chinese Bank might be used to handle the construction accounts for Pauling, such business, of course, necessarily not necessarily to have any connection with the service of the Loan. My own impression is that with a view to the ultimate acquisition of the Chinese Eastern Railway say ten or twenty per cent of the flotation should be allotted to the Russians if they could carry it. The Chinese will not, I am sure wish to admit Japanese interests, even to a portion of the flotation, certainly not to a share in the control of the operating Company.

This concern will in reality act as the agent of the Board of Communications, receiving the 10% of the profits as a bonus, over and above salaries etc., and being in no wise liable in case of deficit. This is fully understood by the Chinese; although no stipulation, in so many words, is inserted to this effect. I hope that it may be possible to embody the mining privileges in the detailed agreement for this Company, and to stipulate at the same time that the Company shall undertake the works necessary to provide docking facilities at the proposed re-free port near Chinkou.

As the Agreement stands as supplemented by the private arrangement with Pauling and Co. I feel that the Group has secured terms more favorable than any that have been given by China in recent years. The success of this enterprise which, from the character of the country, would seem almost assured, will mean that this combination should be in an excellent position to obtain similar agreements to finance and construct the railways which the Chinese hope to build through the fertile but at present unsettled Mongolian plains, and thus by controlling the immigration of a sober agricultural population reap the greater profits of directing the development of the country.

Yours truly,

William S. Chase

Three Enclosures.

This letter is written on the train and a carbon copy is sent from Shanghai by the next mail. The original will be forwarded from Peking.

The day before you received this letter I received two telegrams from the

The Willard Straight Papers at Cornell University
In addition to the provisions of the Preliminary Agreement with their Excellencies, the Vicerey of Manchuria and the Governor of Peking for the financing, construction, and subsequent operation of the railway from Chinchow to Ailgun to which the American Group as well as Pauling and Company are parties,

It is agreed as between the American Group and Pauling and Company that:

1. Since it may be necessary for the American Group in making its financial arrangements with the Chinese Government to furnish funds on terms ensuring a margin of profit not commensurate with the risks involved, Pauling and Company will give the American Group - net less than (8 1/2) % of the contract price for both sections of the railway referred to, such percentage to be paid on the completion of the entire road.

2. At least one half of the materials and equipment purchased in Europe and America shall be American.

3. In view of the fact that upon completion the railway will be operated by a Company in which the American Group as well as Pauling and Company will be equally interested (unless otherwise arranged to the satisfaction of both parties), certain American engineers to be recommended by the American Group shall be employed by Pauling and Company during the period of construction.

4. All other details necessary to secure proper cooperation between the parties to this Agreement shall be arranged upon a mutually satisfactory basis.

Any revision of the above stipulations, if such be found necessary, shall be made by mutual agreement.

Signed in duplicate at Peking this sixth day of October One Thousand Nine Hundred and Nine.

For J. P. Morgan and Company,

E. L. S.

For Pauling and Company

(Signed) B. E.

Subject to notification by my principals.

Memorandum of final settlement with Pauling and Company regarding percentage on contract price of Chinchow-ailgun Railway to be paid American Group.

Mr. Devison in a personal interview with Mr. Pauling removed the slight misunderstanding which had existed and it was agreed that the following arrangement should stand:

The American Group to receive on the first profits up to an amount equivalent to 8 1/2% of the total contract price.

Pauling and Co. to reserve for themselves the profits over and above said 8 1/2% up to 8 1/2% of the total contract price.

Of profits over 8 1/2% Pauling and Co. to receive 50% and the American Group 50% of the balance.

It is the understanding of Mr. Devison that the American Group although entitled to 8 1/2% per cent of the profits on the contract for the installation of engines made if incurred does not share any liability for losses on such contract if incurred to Pauling & Co.

Mr. Devison and Mr. Straight however have understood that the Group was to share such liability.

The status of this matter via a via the Chinese is also uncertain. Under a letter from the Vicerey to the Group the following statement to make and engagement given.
Dear Straight:

For some reason the telegraph office here has sent me a copy of one of the long telegrams from New York which I inclose herewith. To make sure it wasn't a new telegram I had it compared with the old one. What the idea in sending me a copy was I do not know.

Hereunder is the telegraph account as it stands at present:

<table>
<thead>
<tr>
<th>To</th>
<th>Mex.$115.10</th>
<th>473.30</th>
</tr>
</thead>
<tbody>
<tr>
<td>Peking</td>
<td>38.01</td>
<td>889.61</td>
</tr>
<tr>
<td>Harbin</td>
<td>Mex.$92.50</td>
<td></td>
</tr>
<tr>
<td>Chinwangtao</td>
<td>1.25</td>
<td></td>
</tr>
<tr>
<td>Peking</td>
<td>5.47</td>
<td>93.30</td>
</tr>
</tbody>
</table>

Total 889.55

By Cash Mex.$300.00
Check 889.91
Cash 885.51

Balance 15.38

You will see by the enclosures that there was a correction -- two in fact -- by Dai Boozen, the telegraph manager, and that the telegram to New York amounted to $473.50. Dai Boo explains
how this additional charge came about in one of his notes herewith.

Please let me have back that letter about the mines, and forget it. I certainly am not going to do anything to compromise myself or my position here if I know it, and I don't want to do anything to compromise anyone else.

Everything is quiet here but the weather has turned cold as Christmas. Fur coats and stoves sound very comfortable this afternoon.

It seems to me I have forgotten to do something you wanted done in connection with that $5 you gave me, but I can't recall it to save me. I hope it wasn't important.

With kindest regards,

W. D. Straight, Esq.
Peking
October 8th, 1909.

W. D. Straight, Esq.,
Representing the American Group,
Peking, China.

Dear Mr. Straight:-

We acknowledge with thanks your letters numbers six to sixteen inclusive, with enclosures as noted. Of this numerable correspondence, letter 7 dealing with the matter of press clippings, etc. received our immediate attention and was acknowledged under date of August 9th.
Letter 8 enclosing additions to the code with the request that they be transmitted to Kuhn, Loeb & Company, was handed over to the Code Department and by then answered August 9th. Letter 8 requires no further note.

Remaining letters may best be considered in order, depending for brevity upon reference to your own copy of letters sent.
Letter 9:

Enclosed five copies of the Hukuang Loan Agreement, including suggested amendments as made by Doctor Neibhorz and yourself at Hamburg, one of which copies was duly forwarded to the Department of State. Points raised by you for further instructions have now either been answered by cable or rendered inoperative by the progress of negotiations since the date of this letter. As regards security covering increased total amount of loan, we will not stipulate for further security unless the matter is brought up by one of the other representatives, in which case it would be well to concur. Letter 9.

We note your suggestions with regard to future operations in case of a realignment of the present financial interests in China, and will take such suggestions under more careful consideration after the conclusion of the initial steps in the present business. The copy of your letter covering amended agreement forwarded by you to Mr. Fletcher at Peking, was duly transmitted by us to the State Department.

Letters 10 and 11:

Your explanation of the use in recent cables of Kuhn, Loeb & Company's code is quite satisfactory. Further instructions regarding code telegrams to this office will be sent you under another cover. With reference to the American Charge D'affaires, you may also expect further advice in a separate letter.
Letters #11 and #16:

In the matter of the Manchurian Bank, Chin-chow-Amur Railway, etc. we can only now refer to our cables of recent date, particularly numbers nine, ten, (one and two) and eleven, and confirm them by here stating further that while we appreciate the advantages which led you to the signature of the preliminary agreement of October 1st, we do not wish to enter further or hurriedly into this undertaking before some definite results have been reached in the Hukow Agreement. We also hereby confirm our distinct understanding that in signing the preliminary agreement you have not committed us to a point from which we may not feel at liberty upon sufficient grounds to withdraw.

Letters #12 and #13:

The statements made in these letters regarding (a) purchasing agents and (b) character and signature of the supplementary loan, have already been dealt with and the questions raised by them concluded to our satisfaction, in the instance of the purchasing agents as indicated in Mr. Fletcher's cable to the State Department of September 24th quoting the paragraph adopted at the Banker's Conference of that date.

Yours truly,

W. D. Straight, Esq. #3.

10-8-09.

October 6th, 1909.

Dear Cloud:-

Many thanks for your letter of the 5th of October and for your trouble in looking after my various telegraphic charges. I enclose herewith my cheque for $5, 15.15 which is I believe the equivalent of my Mexican indebtedness to you.

I am sending you today some cigars in slight appreciation of your hospitality and assistance during my recent visit to Hukden. I am very greatly obliged to you for helping me along as you did.

We are still awaiting developments in the Railway project. I am having your map printed and will return it as soon as the prints are made, sending you some at the same time.

Yours truly,

The Honorable

F. D. Cloud, etc. etc. etc.

American Vice-Consul General in Charge,

Hukden.
Dear Mr. Davison,

Your letter of August 27th reached me on my return from Moscow. In an official letter to the Board of Directors of the Russian Railways, I have taken up the question regarding the construction of a railway from the Kholmansk to Vladivostok. I suggest that you can be of assistance to the Board in your connection with the subject.

I am very sorry to learn that there have been any difficulties with the Department and that everything has not been going as smoothly as I thought the situation would be.

A few days ago I wired Mr. Smith about certain letters exchanged between Mr. Marshall of Paris and Mr. Harris. The correspondence directly concerns the Chinese-American project and the ultimate acquisition of the Russian-American property. If it is in connection with this enterprise that I should think that might be rather unnecessary. There will take it up after the European business is completed and, at least for that, you have the confidence of the French Railways and if the Russian Government, and in perhaps better than almost any other plan, appertainant with the general political tendency here at the present time. It was in this connection that I had thought of him and I should imagine that acting for our Spanish association it would be to be considered whether they might be he could also represent us until such time as the extent of business warrants putting an American bank on the

Yours faithfully,

(Signed)

J. P. Morgan & Co.
23 Wall Street
New York City

Peking, China,
October 11, 1909

File No. 1/62.
2/18.
The Willard Straight Papers at Cornell University

My dear [Name],

I must assure you that I appreciate your kind thoughts of me. I have been feeling rather down lately and have been thinking about our future together.

Xavier

[Address]

My dear [Name],

I was most struck by your kind letter of recent date. I have been feeling rather down lately and have been thinking about our future together.

Xavier

[Address]
you are probably correct. I sent a copy of my letter and its replies to your assistant. I hope you are well. I am glad to hear from you.
and other articles followed me after another. In fact, I kept such strict vigilance that I continued in comparatively short time in stirring away in England, where part of course caused a great deal of excitement and many among the local Japanese and others against me. I remember, that in my time, I used in various occasions several hundred rifles and other arms, all packed in rear box and carried on such. I pretended them to be inventory at Boukota afterwards.

I sometimes think it makes things that in any time in Pekin or Wabash read in these house and say against us, as at a eighteen printing, and such I left. They are unignorably absent. Moreover, the season of where art have gone elsewhere or changed their moral, you are here no more of Han! Best friendly speaking, in a stove like heat in hot time you can and bear two hours as in same this makes too true, and if you are bears man and true to yourself and if your trust, you can not accord to any trouble with in Japanese. If you want I am almost sure next time we meet I may unnatural. You have in papers at your b. worst and not always reusable; for, they can be as leaders in quality and especially, when they are run by high third.
Willard Straight Papers at Cornell University

[Page 54]

Friends and Enemies as far as my position had allowed it. The circumstances of his condition in Manchuria and also for my part and Crown's suggestions until the enemy he died and went to meet him, and assured me that he would be perfectly understanding the difficult position I occupied and that they would end two any which of his statements. By his Manchurian prisoners among myself and in China. The want of his was the question of the remaining an admission of his. Certain regulations which in Japan, in March and December were peremptory with all their might, and which were to have been there in July, 1909, was actually drafted by the Tokyo authorities, to the greatest heart and dissatisfaction of Manchurian people. I tell you I can send volumes to him and guard against, and I see this has not been yet to do so. My prisoners and soldiers them can remain as we make the life miserable for their lives, and justify and punish I will send in the end!

Believe me,
Yours very truly,
R. Havrdana.

3. Please join my ear again to Mr. Reids.
P.S. Have you ever read the Harris Custom Regulations where you drawn up by us? If you did you must know exactly and may explain your own advantages for China than in Nanking Regulations. For I got you more than the Nanking Customs over port from Germany. All round about for the Custom House has been moved and the imports and exports are very large and I was great deal more than you expected and congratulate me on my success.

Again, do you know that I had your and others considerable in different parts of in British territory one of them in Port Arthur a naval port! I hope these and others are usual, not only in these colonies, but in all similar as in my times. And all those, certainly now, you can't be able to write, but you would have to write letters now and then as your friends have been too busy to write! Be as human again, and I can not help but to regard China as exceedingly ungrateful and suspect to punish me like this, without expounding my cause. I am sure you would feel in some way, if you were in my position!

I hope you would not lose what I wrote
[Signature]
The Willard Straight Papers at Cornell University
The New York Herald, Mr. Crear regretted, had published, early as September 15, a cable dispatch from Tokyo narrating that the Japanese press repeats the Japanese-American treaty is not being discussed in the Japanese cabinet. A reading of this dispatch shows that the treaty is not being discussed in the Japanese cabinet, but it does not follow that the treaty has been abrogated. The treaty is not being discussed, but it is not being abrogated.

The Willard Straight Papers at Cornell University

The New York Herald, Mr. Crear regretted, had published, early as September 15, a cable dispatch from Tokyo narrating that the Japanese press repeats the Japanese-American treaty is not being discussed in the Japanese cabinet. A reading of this dispatch shows that the treaty is not being discussed in the Japanese cabinet, but it does not follow that the treaty has been abrogated. The treaty is not being discussed, but it is not being abrogated.

The Willard Straight Papers at Cornell University
Peking, China,  
October 14th, 1909.

H. P. Davison, Esquire;  
25 Wall Street,  
New York City.

Dear Davison:—

Many thanks for your letter of the 9th of September. I am sorry that it's five weeks in transit have not witnessed the conclusion of the Hukuang negotiations. When they will be finished we cannot even guess. The British are still holding out and I am rather inclined to believe that they will continue to do so. The Chinese on the other hand are now afraid of the gentry whom Chang Chih Tung alone could control, and the Board of Communications which is now charged with the matter shows no disposition to reopen negotiations.

It was this uncertainty regarding the Hukuang Loan together with political developments that induced me to take my chances on signing the Manchurian Agreement. Officials in Peking were backing and filling, the Regent was favorable and so were many others but no one dared attempt to “hell the cat”. When I hurried to Mukden the Grand Councillor Shih Hwun wired the Viceroy to close, and finding him disposed to do so, aware of the intrigues always at work in Peking, knowing that Japanese action would be precipitated by the knowledge that I had been in Mukden, and feeling that it was therefore essential that this opposition should be as far as possible forestalled by fortifying our own position, I went ahead.

It is much like surf riding this Manchurian game. One has to seize the right wave or run the risk of being upset altogether. And it is this very political uncertainty that makes it possible to secure terms which could not be obtained elsewhere in China. You need not fear that I shall make a practice of doing such things.

We are expecting the Edict in a few days. Mr. Cranes recall reported by telegraph, and the reasons therefor, upset the Regent considerably. He feared that it meant that the American Government would not support China in Manchuria. We got word to him that we certainly would not if the Edict were not issued at once giving us a certain vested interest in the country. As he is now much disturbed as to the probable consequences of Ito's visit to Manchuria the chances are that he will take action quickly. A certain number of officials who are under Japanese influence are, however, trying to block the project and delay it in every possible way. The whole matter is gradually leaking out through Chinese sources and I presume that the Press will have to handle it as soon as the Edict is out.

Mr. Crane of course I know and like and I am much distressed for him personally. I cannot help but feel however that he has been talking much too freely. This game is a delicate one, the Japanese are always on the watch, and ready to use any incident, however trivial, to play upon Chinese susceptions. While the Chinese like us perhaps better than any other foreigners the fact remains that they distrust us all and are always apt to be influenced even by criticism which they know to be anything but disinterested.

I have not heard from Marvin about his new post. I had been taking it for granted that he was in New York to help interpret the telegrams that I have been sending.

Can you let me know what happened?

Bland has just returned to Peking. He is at present sick after an illness on the train. He will shortly be able to do business however and tells me that he has had some very satisfactory talks with the Russian Government. Russia is prepared to utilize an Anglo-American syndicate to finance the line from Irkutsk to Urga (Mongolia) to construct the same and to share the profits. This is the first project. You will remember that this is the road that Mr. Stone discussed. There are also mining concessions, other railways, and construction and profit sharing contracts on the Amur Railway, which will connect Stretensk with Nolchavek at the mouth of the Amur. These enterprises will all be Government guaranteed, and the terms Bland says are extraordinarily good. Here again we find the political element the ruling factor for Russia like China is anxious to bring in Anglo-American influence to offset the extension of Japanese power.

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power. I have already written that I believe Manchuria, Mongolia and Siberia to offer the best field for the activities of the Group. China proper is now too much ridden by the gentry whose anti-foreign predilections have not yet been tempered by good sense and a realization of their own inability without foreign money to develop the country. The time will come when this fact will be recognized. For the present however, I believe that our efforts should be made to get a strong hold on the development of the Russian Far East and of these Chinese dependencies, using the advantage which our political position has given us.

The Chihouch-Aigun Railway, with the possible acquisition of the Chinese Eastern line, later the construction of the road from Kalgan, via Urga to Irkutsk, will give us two outlets for Siberian produce etc. We should be able to gain the very thing the Russians fought for by playing Russia and China against Japan, and holding the Japanese down on their "open door" declarations.

Bland tells me that if you will name the British Group which you wish associated with you, the matter is ready for immediate action. He had a long talk with Sir Edward Grey before leaving London and was assured that Great Britain would act with the United States in the Far East, and approved the plan outlined by Bland.

Notwithstanding a certain unpopularity in the East Bland will be the man to handle the Russian and English end of this enterprise. He could do so as the representative of the English Group and have an American associated with him perhaps, if you considered this necessary.

The whole matter will be placed before you in more practical form as soon as Bland is better. He will give us two outlets for Siberian produce etc. We should be able to gain the very thing the Russians fought for by playing Russia and China against Japan, and holding the Japanese down on their "open door" declarations.

I wish that it were possible to go over this scheme with you in person. Letters are so unsatisfactory. Perhaps it will be well for me to come home. I am not particularly keen on that however, and it might be more to your advantage to send someone over who could look into the whole situation and later be in a position to direct the enterprise from New York. In any case I strongly feel the necessity of having a more intimate touch on the wheel before things develop much farther.

Sincerely yours,

[Signature]

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The above enterprise would probably be within the scope of the Manchurian Bank if that project materializes.

FUTURE DEVELOPMENTS. As stated in my telegram the proper organization of the Chinhoo-Aigun Railway project can be made the first step in a scheme for the general development of Manchuria, Mongolia, and eastern Siberia. Owing to the political needs of Russia and China, and the fact that in the two regions first mentioned foreign enterprise is not hampered by a meddling gentry, as is apt to be the case in China proper, the exploitation of these rich territories should offer the most attractive field for the Group's Far Eastern endeavours.

For political reasons therefore I urged you not to invite the Hongkong and Shanghai Bank or the Deutsche-Asiatische Bank to join you. For political reasons also I stated that German diplomatic support is now neither necessary nor desirable, asked you to combine with English interests new to China, and recommended that your representative for the present conduct all negotiations for this railway associated only with Pauling and Co.'s Agent who will give the necessary English character to the undertaking.

It is impossible briefly to set forth my premises. I hope therefore that you will consider the length of this letter justified by the importance and complex nature of the subject with which it deals.

POSSIBILITIES.

POSSIBILITIES OF POLITICAL SITUATION. The principal factors in the political situation are (a) China, rich, and at present impotent, (b) Russia, apprehensive, (c) England, conservative, and beset by fears of a German war, France may be considered with England. (d) Germany, active, her policy, expediency, (e) Japan, aggressive, poor, and unscrupulous, (f) the United States, strong, independent, and holding the balance of power in Asia.

It is in combining with British and certain European interests to take advantage of China's fear of Japan and Russia, and Russia's fear of Japan and Germany, that the American Group will secure the greatest measure of profit.

The political relations which may be used are as follows:-

I. China and Russia desire to check Japan in Manchuria. China further desires to expel the Russians from this region. While Russia, fearing Japan, would probably be unwilling to withdraw in favor of China, she might be prepared to do so if China's acquisition of the Russian holdings were financed by an Anglo-American syndicate. The presence of these neutral interests would safeguard both Russia and China.

If her sovereignty were fully respected and due provision made for her susceptibilities, China would probably actively favor the plan to purchase from Russia the Chinese Eastern Railway. This road could then be operated by an international company, similar to, or identical with, that which will control the Chinhoo-Aigun line.

The Group is already familiar with the proposal to secure this line. Vide the correspondence between Ed. Mootz and the late Mr. E. M. Harriman.

In the opening of the country served by these two Railways the Manchurian Bank would be of great service.
This project was broached with His Excellency the Viceroy Of Manchuria during my recent visit to Mukden. A draft Preliminary Agreement was submitted. He would not discuss the project at that time however as he said that he was not competent to do so. The Railway Loan Agreement, however, and the Agreement for the Operating Company will be prepared with a view to ultimate cooperation with the Bank should it be organised.

III. Russia desires to anticipate the Japanese menace by developing eastern Siberia with Anglo-American capital, and would be willing to cooperate with such capital and with China in Mongolia.

This China would welcome as neutralising the danger of a purely Russian advance.

The desire of the Russian Government to reorganise the Russo-Chinese Bank has already been reported, see L. No. 19 of Sept. 21st.

Mr. BLAND whose name is familiar to you, and who has just reached Peking recently conferred with several influential officials in St. Petersburg. He states that the Russian Government is anxious to arrange with China, and with an Anglo-American syndicate

(a) the financing and construction of the proposed Railway from the Trans-Siberian road via Kiohta, to Urga in Mongolia, and would

(b) cooperate with such a syndicate in obtaining from China the right to build a line from some point of the Peking-Kalgan Railway, just opened, to Urga. Such a road is now under consideration by the Chinese. It would probably be connected with the Chinkin-Oulgun R.R. by an east and west route.

(c) The Russian Government is also prepared to offer a share in the financing and profits, and the construction contracts for branch lines from the Amur Railway.

(d) Certain other financing and profit sharing railway-construction contracts in Siberia, mining rights, and industrial and municipal undertakings requiring capital and Administration.

III. England and Russia fear Germany in Europe and do not desire an extension of German power in Asia.

IV. China and Russia are interested in preventing England allowing Japan to presume too far on the Alliance in her dealings with China.

V. The present Anglo-Russian-French rapprochement and the engagements of Japan with these powers should prevent any dangerous combination between Germany and Japan.

VI. In 1908 Prince Ito attempted to form a Russo-Japanese instead of an Anglo-Japanese alliance. In view of the growing unpopularity of the latter in England it is possible that Japan may attempt to make a new pact with Russia. This would give Japan Southern Manchuria in addition to Korea, and Russia a free hand in Northern Manchuria and Mongolia. Russia however in making such an arrangement runs the risk of strengthening the Japanese position sufficiently to enable Japan within a few years to drive Russia out of Manchuria altogether and menace the Amur provinces. Ito however is now in Manchuria again and will doubtless meet the Russian Minister of Finance at Harbin. The foregoing danger must therefore be considered.

VII. In view of the engagements of Japan with the United States and Great Britain, and the "open door" declarations of Germany, an Anglo-American combination working with Russia as suggested, should not be subject to the overt opposition of either of these powers. It would enable England to depend less on the Japan-China alliance in case of a war with Germany and would safeguard Russia's eastern possessions should Russia be embroiled in Europe.

To perfect such a combination, however, and to prevent a Russo-Japanese understanding it would be desirable for the United States Government to arrange an entente with Russia by an exchange of Notes similar to that made with Japan in 1906, or at least to have a working understanding with the Russian Government. From the foregoing analysis of the political situation it would seem to the interest of England as well as of China and Russia to further Anglo-American cooperation. This is apparently recognised, for before leaving London Mr. Bland was assured by Sir Edward Grey that the British Government would welcome Anglo-American combination and would not in opposition thereto support the Anglo-German interests represented by the Hongkong and Shanghai Bank.

As has already been reported Russia on account of
French pressure desires to curb German influence from the Russo-Chinese Bank. Neither Russia nor England therefore will further the interests of a syndicate in which German finance may possibly become dominant.

OBJECTS TO THE HUKUANG ASSOCIATES. It would possibly be desirable to cooperate with the Hongkong and Shanghai and Deutsche-Asian Banks were the Group to devote its energies to developing business in China proper. Manchuria, Mongolia, and Siberia, however, offer the greater promise at present. The Hongkong and Shanghai Bank is itself largely subject to German influence, and for the reasons stated above it would under present circumstances be impossible to cooperate in the regions mentioned either with this institution or with the German Group interested in the Hukouang loan. The assistance of the Banque de L'Indo-Chine, however, might be available if it breaks with the "tripartite" Group.

NEED FOR DIPLOMATIC ASSISTANCE. If there be a proper British-American combination and an understanding with Russia, diplomatic assistance other than that of the British and American Legations is not at present desirable. Interference with the Chinshou-Aigun project could come only from (A) Japan, (B) Germany, or (C) the Hongkong and Shanghai Bank, and official pressure would only be required to bolster China against such meddlers. Considering the same;

(A) While Japan may secretly oppose the Railway she is likely to confines here overt demands to requesting participation in the finance, or a share in the materials and engineers.

China has expressed an unwillingness to concede on these points. She should not be forced to do so.

The Japanese arguments may be met;

A. By insistence on the "open door" policy with special reference to the treaty of Portsmouth, the Anglo-Japanese Alliance, and the Notes exchanged with the U.S. in 1908.

B. Should Japan insist that under these instruments she was justified at least in demanding participation a counter-demand might be made for a share in the South Manchuria Railway. Reference could be made to the contract signed in 1905 by the late Mr. E.H. Harriman with Marquis Katsura and Prince Ito providing for the joint operation of that railway. This contract has been ignored but never cancelled by Japan.

C. By proper manipulation of Japan's desire to convert certain war loans, and pertinent reference to contemplated treaty revision.

(B) German opposition should be prevented by the introduction of M.W. Warburg & Co. For the present this would suffice as German diplomatic support is not now desirable, and could be purchased only by the extension, probably, of a participation which would be unwelcome to Great Britain and Russia.

(C) The interference of the Hongkong and Shanghai Bank would not be serious, as it seems unlikely that the British Government would countenance such opposition.

An attempt has herein been made to show (A) the enterprises that may be contingent upon the careful exploitation of your interests in the Chinshou-Aigun project (B) the vital importance of choosing your associates and shaping your policy with a view to the advantage to be derived from properly utilizing...
utilizing your political position.

The immediate task is the perfection of this railway scheme, a work which will require some time and much effort. I have however endeavoured to describe the structure of which I hope this project may some day be the corner-stone, and I trust that you will feel that each successive subsequent step should be taken with a view to its completion.

Upon the issuance of the Edict authorizing the construction of the railway, and the signature of the Hunkow Agreement I believe that it would be well to leave the former in the hands of Lord ffrench, and the latter in charge of the local Manager of the International Bank, and myself visit the United States with Mr. Bland. The details of the work now in hand could then be fully discussed; and if you approve the general lines suggested hereon, plans could be made for the future.

Yours truly,

W. D. Straight, Jr.,

Washington, D.C.

October 22, 1906.

W. D. Straight, Esq.,

Peking, China.

Dear Sir:-

We beg to confirm acknowledgments of your letters Nos. 17, 18, 19 and 20, and our cables 9 to 15 inclusive; also cables 1st and 2nd, unnumbered, under date of October 4th. We have cabled you to-day as follows:

"No. 16. Referring to your letter September 23rd, you are authorized to secure and hold Manchurian Bank proposition by signing preliminary agreement, which we understand will be practically non-committal, terms and details being subject to further approval."

We did not appreciate fully the difficulties of arranging for a preliminary agreement, as set forth in your letter No. 20 under date of September 23rd, hence our cable. You quite appreciate that we cannot afford to become too deeply involved in Chinese business; with our organization yet young, we much prefer to have the Hunkow agreement signed before taking up other matters.

The Manchurian Bank proposition has attractive features, as has the Manchurian Railroad proposition, and we are glad to have the opportunity of closing them, subject to our approval of all terms and conditions. As we cabled you, we are sending the data on the Manchurian Railroad line to Mr. Morgan, Jr., now in London, suggesting that he confer with Paulings in regard to the same.
We are somewhat at a loss to know why our terms with Paulings are not more favorable. In other words, it looks to us as though they had the contracts and we had the money, and that if we are to finance the proposition we should have a very much larger interest in the profits of the contract. We suggest 10%. From your communications we infer that their profits will be in excess of 25% of the contract price, and we feel therefore that we should have a much larger percentage, say 40% of the profits of construction. We have written this to Mr. Morgan, and will learn from him in due course the attitude of Paulings on this point.

Awaiting your further communications, we are,

Yours very truly,

(Signed) J. P. Morgan & Co.
It seemed desirable, if not obligatory, to combine with Pauling and Co. because,

I. Pauling, as reported in my L. No. 11 had a claim on constructing the railway from Chinohou-to Tientsin, 450 miles, our claim being to the 250 miles from that place to Algin.

To have attempted in face of this claim to secure from the Chinese contracts for construction and financing both would have precipitated an Anglo-Japanese combination which would have excluded us entirely.

II. Therefore, since, even though we secured the loan single-handed, it would have in the end been necessary to combine with Pauling, it was much wiser to do so at once, gain Pauling's assistance, and strengthen our position by quashing Chinese fears of a possible Anglo-Japanese opposition to a purely Chinese undertaking.

In view of Pauling's assurances from the British Foreign Office, moreover, it would have been practically impossible to work with any other British concern.

III. Lord Ffrench, furthermore, as I have reported, through his assistant, Mr. Backhouse, an eminent Chinese scholar, has great influence with the Grand Councillor, whose support was necessary to success as he is about the only man who could check the pro-Japanese intrigues of the Grand Councillor Ma Sung.

IV. Through Shih Hai, who has charge of Mongolian affairs moreover, Pauling is likely to secure contracts in that region, having already received promises of Shih's support. If the Chinohou-Algin arrangement is found to be successful, it could probably be extended to Mongolia.

V. Ffrench was willing to give us advantageous terms because notwithstanding his reliance on Shih Hai's personal support, he recognised that American political weight was necessary to galvanise China into risking Japanese opposition, and that the chance of Anglo-American combination in the East would be most likely to assure British support of China as against Japan in Manchuria.

The American Group to receive:
1. The construction and equipment contract, less the interest in the profits and materials given the American Group.
2. A share in the operating control and net profits similar to that granted the American Group.

The arrangement as it now stands:
1. The financing of the enterprise.
2. 1 1/2%, or an equivalent, on the entire contract price of the road.
3. Half the foreign materials.
4. The nomination of engineers during the construction of the road.
5. A share in the control of the operating company during the currency of the loan, and a portion of the net profits thereof.

The arrangement seems not unfair to the Group, in view of the important part which Mr. Backhouse's influence with Shih Hai played in persuading the Viceroy of Manchuria to sign the Preliminary Agreement and in securing the first Edict, and notwithstanding the necessity for American political support which the Group alone could bring. I trust that you will share this opinion.

SKELETON AGREEMENT. Since you have in your possession the loan agreements previously made by China, and since I am unacquainted with the special provisions which you desire to meet the requirements of the American Market, I deemed that it would expedite matters should you prepare a skeleton agreement to which the provisions necessary to meet local conditions could here be added.

Your instructions will be followed and the draft prepared here submitted for your approval.
The Preliminary Agreement provides that certain Manchurian revenues shall be allocated by the Administration and the Group to meet the service of the loan, when such service is no longer met from the proceeds of the loan, and in case the receipts of the railway are insufficient. The loan is secured by a first mortgage on the line.

A list of revenues from which such selection will probably be made was included in the 1907 Manchurian correspondence now on file with Kuhn, Loeb & Co. I have no copies thereof.

This list was prepared by the former Governor of Fengtien His Excellency Tang Shao Yi. Since my interviews with the present Viceroy were occupied with the discussion of the preliminary agreement, and since the Group was thereunder given the right to select with the Administration, the revenues to be used, I did not take up this point.

As reported Manchurian finances are now in an unsatisfactory state. With the substitution of a more efficient man for the present Viceroy there is no question but that these difficulties will be overcome, for the country is rich and the revenues collected even larger, I believe, than the amounts estimated by H.E. Tang. Owing to lax methods, however, local officials and not the provincial Treasuries are now benefitting thereby.

I am enclosing herewith a rough map prepared some time ago by the American Consulate General at Mukden, and showing the approximate route to be followed by the proposed railway. In this connection I would refer you to the map of Manchuria handed last autumn to Kuhn, Loeb & Co.

A copy of this letter together with one of L. No. 28 is today sent J. S. Morgan & Co. for Mr. J. P. Morgan Jr. together with a map similar to that enclosed. A copy of my covering letter is forwarded for your information.

Yours truly,

[Signature]

Two enclosures.
Peking, China, October 25th, 1909.

L. No. 58.
File No. 4/18/01.

Messrs. J. P. Morgan & Co.,
For the American Group,
23 Wall Street,
New York City.

Gentlemen:

On arriving in Peking I found that your local correspondents were the Yokohama Specie Bank. It is possible that other members of the Group have also such connections with this institution. Inasmuch as the International Banking Corporation has now established branches at Peking and Hankow, as well as Shanghai, Hongkong, Manila, Canton, etc. I venture to suggest that it be given such eastern business as you may have. It is not pleasant for an American to go to a foreign Bank where he might deal with his own countrymen.

In this connection it should be remarked that some of the most important American manufacturers are represented in China by German and Japanese firms. This I believe to be true of the Baldwin Locomotive Works, the Western Electric Company and others. This is not calculated to increase our commercial prestige and I trust that wherever possible the Group will use its efforts to secure such representation for American firms. It is true that there are not many concerns of first rating doing business in China at this time, but the fact that the most profitable agencies are in foreign hands militates against the establishment of strong American houses.

Yours truly,

[Signature]
Peking, China,  
October 25th, 1909.  

L. No. 35, 
File No. 2/28/33, 

Messrs. J. P. Morgan & Co., 
For the American Group, 
23 Wall Street, 
New York City. 

Gentlemen:—

On the 18th instant I telegraphically requested that the local correspondent of the Associated Press be instructed to refer all matters which referred to the activities of the Group, and which he intended to wire, to me. This action was prompted by the knowledge of the message which was sent from Peking on October 14th(?) and which resulted in the announcement here by Reuter's Telegraph Agency that American and British Capitalists were completing arrangements for the construction of the Chinchow-Tohtsiak Railway. 

Mr. McCormick, the Associated Press correspondent, intimated that he was sending something of the sort. I urged him not to do so, promising to give him the whole "story" as soon as possible. He answered that he could not "suppress news"; and refused to show me his message. His information I have reason to believe was derived from the Japanese Legation which desired to force an issue by securing the premature publication of this news. My visit to Manchuria had been widely commented on in the Japanese Press and the Nihon corresponents had made shrewd guesses regarding the object thereof as this Railway scheme has been under discussion for some time. 

The local correspondents of the "London Times" and "New York Herald", however, have been most considerate. Lord ffrench has given the news to Dr. Morrison, the former, and I to Mr. Ghil of the "Herald". Both men are discreet and willing to forego a temporary journalistic triumph in the interests of the larger game. ffrench and myself of course will therefore give full details to these correspondents as soon as the situation warrants it. Had we not secured their promises of secrecy by giving our confidence it is quite probable that they would have received the news from some other source and published it. The facts were not given Mr. McCormick as it was not deemed safe to do so. He is most honorable and conscientious man but his discretion cannot always be relied upon. I should be sorry to have him leave Peking, but although he is an old friend have felt it my duty to ask that he be given instructions to cooperate more fully with me. 

In this connection you should know that the correspondent of the Associated Press in Tokyo is greatly under Japanese influence and his despatches cannot be considered impartial. By the extension of social favors, by conferring honors of various sorts, and official consideration, of which they are past masters, the Japanese have apparently succeeded in blinding him to facts which are patent to less impressionable observers. I learn that Mr. Melville Stone will shortly visit Japan, and like Mr. Valentine Chirol the foreign editor of the "Times" will be received by the Mikado. While reluctant to question the sincerity of Japanese hospitality I trust that my experience will warrant the statement that it is usually far from disinterested. 

The value of a press campaign in England and the United States is fully recognized by Japan, hence these extraordinary courtesies to journalists. For the same reason a so-called Bureau of Information has recently, I understand, been opened in New York.
under Mr. Matsumoto, formerly Editor of the official subsidized organ of the Korean Residency General. Mr. Matsumoto is personally known to me. His long connection, in Tokyo and Seoul, with official press propaganda has made him an adroit special pleader. If the Group embarks upon this Manchurian enterprise it will be well to watch the activities of this gentleman.

Yours truly,

(signed) Willard Straight.

I have to acknowledge the receipt of your telegram Sixteen authorizing me to sign the Preliminary Agreement for the establishment of the Manchurian Bank enclosed in my letter of September 23rd. As already reported this proposition has been laid before the Viceroy of Manchuria who did not at the time of my visit to Mukden feel competent to discuss the same. It will be taken up again when the time seems propitious.

Pending the issuance of the Edict recognizing the Preliminary Agreement for the Chinchow-Aigun Railway, however, it has been deemed advisable to await further advances from the Chinese before pushing the Bank scheme. His Excellency Liang Tung Yen has repeatedly expressed his approval thereof.

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but has shown no disposition to go further, stating that the Viceroy must settle the matter.

I am inclined to believe that the Viceroy wishes before committing himself regarding the Bank to see how far the Japanese will go in opposing the Railway, what support the Group will receive from the American Government in meeting such opposition should it develop, and how far the Prince Regent and his advisers will go in facing Japan in what is no longer an academic, but now a practical, problem.

From His Excellency Shih Hsu I learn that the Editor authorizing the Railway has been issued and that we will be advised of this fact by the Viceroy. Prince Ito's visit to Manchuria has perhaps been responsible for the delay in such notification being conveyed. There would seem little doubt that Ito's journey has been made with a view to blocking American extension in Manchuria. An attempt will also probably be made by Ito to come to some understanding with the Russian Minister of Finance whom he should meet at Harbin. Any arrangement strengthening Japan in Manchuria would be a grave error from a Russian standpoint, and I do not believe that the Chinese will be unduly influenced by Japanese representations.

I am glad however that you have given me a free hand for I shall seize the first opportunity to establish our claims and if French and myself have already taken steps to counteract the attempt which Ito probably made to convince the Chinese that neither the United States nor Great Britain would support China as against Japan in Manchuria. We have anticipated such an effort owing to the successful manner in which Japan used the exchange of Notes with the United States in November last, when the Chinese reliance on Tang's mission was nullified and Yuan's downfall largely brought about, by the Japanese statement that America had become practically the ally of Japan and would not therefore assist China in Manchuria.

Yours truly,

Copy to J. S. Morgan & Co.
Dear Mr. Straight:

Your letter of September 19th arrived while Mr. Schiff was in Europe, from where he returned about a week ago. Since Mr. Schiff has written you from the steamer on his trip home, and since he has not quite familiarized himself again with all the details of the Chinese negotiations, and our cable correspondence with you, of which I have taken charge, he has asked me to answer your letter on his behalf.

We are all much obliged to you for your exhaustive report, which is very interesting and instructive, indeed. Meanwhile, matters have developed somewhat on the lines of the general program that you have indicated.

Inasmuch as the preliminary agreement concerning the Chin-chu Amur Railway has been signed, we inquired from you whether the final edict has been issued, or whether we might expect to receive it in the near future, and are glad to learn from your cable today that the Grand Councillor has assured you that the edict has been issued secretly, and that you hope to receive it officially in the near future. This will be an important step, because, our position in this business once assured, we can proceed to negotiate with other nations, trying to satisfy in the way you have outlined, or in some similar way the other nations, including Germany, and if possible, also Japan.

I saw Secretary Knox happen to pass through New York yesterday, and apparently it is his intention to make the American contracts standing an illustration, that the United States A. for equal opportunities for everybody. Whether China will consent to fall in with these views to a degree which would render it possible to allow Japan to participate with a very small percentage (which would not endanger China, but would, on the other hand, save Japan's face) remains to be seen; but, anyhow, it would then be China's attitude upon which the blame would be laid, and not the United States. This would be important for the next and larger step - the acquisition of the Chinese Eastern Railway by China under American auspices - leading towards an international group. I could imagine that for this piece of business it would be even more important to include everybody, and particularly the Japanese, for reason of the connection and absolute necessity of interchange of business between the Chinese Eastern Railway and the South Manchurian Railroad.

It would, of course, be very desirable that we should enter soon into a preliminary agreement, establishing only the principle and not binding us to any material degree, concerning the Manchurian Bank, since before entering upon a policy of asking the other nations to come in with us, we should strengthen our position as much as possible, as as to actually have something to give, and so as to making material concessions in order to establish the principle of the Open Door, instead of merely preaching it to others. As for this Manchurian Bank itself, none of us, I believe, are quite clear...
what it is really going to be. One of the functions that it should exercise was the construction of railroads, which now is being taken in hand independently. If it is to be a general bank, destined to become a central bank of the country, it is doubtful whether on the other hand it could at the same time well be the industrial bank of Manchuria and Mongolia. The plan that $20,000,000, should be raised by a Chinese loan for the purposes of this bank is somewhat vague. If the Chinese Government to invest the amount realised from the loan in bank stock of that bank, in that case the control of the bank would be in the hands of the Chinese Government to an overwhelming degree. This might be remedied to a certain degree by issuing some founder shares, of which a large proportion could go to the American Group, and in which some voting power, to secure the foreign capitalists might be vested. I wonder whether some plan could not be worked out, by which the Chinese and the foreigners would be joint owners of a somewhat smaller capital of the bank, and under which the bank would have the privilege of issuing, up to a certain amount, obligations guaranteed by the Chinese Government, secured by certain works (mines, railroads etc.) to be approved by the Government. I mention this simply as a suggestion, a reply to which will tend towards clearing up our mutual thoughts on the subject.

The description you sent about political conditions in China, was very interesting to us, and also to Morgans, to whom we gave a copy of your letter. It is difficult to say how far it will be possible to succeed on the lines which you suggest. A great deal will depend on Japan's attitude, which it is to be hoped will not undergo a change to the worse by poor Prince Ito's death. Present indications seem to be that England will co-operate in this move, to weaken the influence of her own ally. We must not, however, lose out of sight, that England, at present, owing to her antagonism to Germany, and influenced by her loss of prestige in China, and owing also to Russia's present weakness, apparently is willing to join us in this fight for the Open Door. Our own experience with the English has shown us, however, in our dealings with Japanese finances, that they quickly change their point of view, the moment that their purposes have been served, and once English prestige being fully established again in China, and Germany being disposed of, we may easily find one day that our own services in the financing of China will no more be required. While for the present the co-operation between the Americans and the English in Manchuria and Mongolia would certainly be opportune, it may be well not to get too far away from the other Nations, and preserve their good will along the lines that you suggest.

The latest developments in the Mukden Agreement are rather amusing. We are coming out as the tertius gaudens in this affair, since, for the time being, we gain the American Chief-Engineership for two hundred kilometers. I cannot, however, quite follow your argument, that we are only the gainers by the transaction, if we are to give up our claim for half of the extension to the Chengtu Section. It is true that as far as the Engineering is concerned, we come out all right, but this Engineering is,
after all, more of a sentimental and political affair, while the financing is a very practical question. We gain an Engineership, but lose one-quarter of the financing. If the State Department will approve of this compromise, however, the Group will be ready to accept it, since the general feeling is that we should be fair, and that if the whole transaction is divided by four, that the extensions might be divided also. However, our feeling was that in case there should be extensions to the Canton Section, these should also be equally divided. We see from your cable that the English have no agreements for such extensions.

We should, of course, be glad to see you here again, and discuss these various interesting phases with you, by word of mouth, but we all feel that your presence in Peking is very important just now, and will remain so for quite some time, and that it would be safe for you only to leave your post, after all Chinese matters are very well in hand.

Hoping that these lines will reach you in the best of health, and with kindest regards from all my partners, I beg to remain,

Sincerely yours,

Willard D. Straight, Esq.,
C/o The American Legation,
Peking, China.

As for the Chinohu Armur Railway, I hope you will send us a draft agreement. Without any close touch with Chinese conditions, legal and local, and Chinese susceptibilities, it is almost impossible to draft such an agreement here.

As for the securities which the Manchurian or Mongolian provinces are to set aside for us, we cannot judge here whether they are sufficient, nor can we decide which are the most valuable ones and in that respect we must be guided by you in the first degree. The preliminary agreement which you sent does not clear up the point whether this loan will be a Manchurian obligation, guaranteed by China, or a Chinese obligation secured by Manchurian collateral. It is much to be hoped that the latter will be the case, as you will have understood by our cables.
Manchurian Business.

PEKING, CHINA,
October 29th, 1909.

Messrs. J. P. Morgan & Co.,
For the American Group,
23 Wall Street,
New York City.

Gentlemen:—

Supplementing my L. No. 34 of October 25th.
I have to report that I have received from the Grand Councillor Shih Hsa assurances that the Edict authorising the construction of the Chinshou-Tsitsihar Railway has already been issued and will be communicated to us by the Viceroy of Manchuria as soon as certain matters concerning neither Japan nor Russia are settled. Domestic politics are in some way involved, how I have been unable to ascertain. The Grand Councillor further stated that he would prepared to support the Manchurian Bank project as soon as the Edict referred to has been communicated.

I enclose herewith a new draft agreement practically identical with that enclosed with my L. No. 20 of Sept. 23rd, but embracing certain provisions which from my last Mukden experience I judge would make it more acceptable to the Chinese.

This will be laid before the Viceroy of Manchuria as soon as possible.

The railway project which has thus far been supposed to embrace only the Chinshou-Tsitsihar section has been widely discussed in the Japanese press. Official organs are virtually united in stating that Japan will not protest the line but that a participation will be demanded. Other journals point out that China is foolish to build such a road at all and in so doing is only increasing her foreign debt, and falling into the trap which designing foreigners have designed in order to gain control of China's finance.

I have received no official intimation that Japan would desire participation. Should such be made here or in New York, I beg to suggest that the Group reply that in case China approves, and Japanese interests can advance a satisfactory business proposition, there would be no objection. It should be clearly understood by Japan, however, that such participation would be extended on commercial grounds, and as in no wise a recognition of Japan's right to demand the same.

Once notification has been received of the issuance of the Edict for the Railway I trust that I may be authorized to inform the Russian Minister that we shall hope to work with Russia in this and other enterprises and will be prepared to come to an arrangement if Russia in turn will engage not to interfere.
interfere with our present agreements and to give political support for future financial cooperation in Manchuria and Mongolia.

It is important that some understanding be reached along these lines for the Russian Minister of Finance is now in the Far East and upon the results of his journey Russian policy in this region will largely depend.

Yours truly,

One enclosure.
Dear Miss Whitney:-

Do you wish to go out templeing in the carriage this afternoon - or in the motor - or would you prefer to decide? Mr. Fletcher may come along also. If carriages suit best we can "catch" another.

The top of the morning to you -

W. S.

Original in private hands.
Mr. C. D. Jameson and one Fat Boy will appear at 10.30 A.M. November 6th to guide Miss Whitney - Mrs. Bend and Miss Bend through the mazes of Peking -

Croyez!

Soyez Bien -

W. S.

Princesse -

Greetings - This is our busy day - I am free to do aught that you may wish - We can visit the House - or the Temple of Heaven - (synonymous) or do anything you say - My one condition being that today - as always I am -

Your faithful Esquire -

W. S.

Original in private hands.
Nov. 5th, 1909.

Mr. W. D. Straight,

Peking, China.

Dear Sir:—

We are in receipt of your letters No. 21 to 27th both inclusive, and File No. 4-11 dated at Mukden, October 1st, unnumbered.

Letter No. 21: Chinouhu-Amur Railway. The situation and circumstances leading up to your signing the preliminary agreement are read with interest and understood. You apparently quite appreciate that the situation would have to be most unusual to warrant your acting without definite instructions, and we so regard them in this case, and particularly in view of the character of the preliminary agreement, which we regard as non-committal on our part, except morally, which commitment we are willing to assume. The facts are that our delay in sending instructions was due to the importance of the matter and our desire to confer with the Secretary of State prior to the signing of the agreement. We had supposed that there would be sufficient time to do this, arranging as we did for an immediate conference and cabling as we did immediately thereafter. As we understand the situation we regard the preliminary agreement covering the construction of this line in conjunction with Paulings as of value, having in some respects considerable merit. We are therefore pleased at your having accomplished the result thus far obtained. As advised, we do not yet understand the case fully and have written to London for further information, upon receipt of which we will communicate with you upon the subject.

Letter No. 22: Chinouhu-Amur Railway. As above stated, we are awaiting more definite information regarding the relations of Paulings, before replying thereto. We believe we appreciate the advantage of this association, not only in the present undertaking, but also in further developments in the Province. We are pleased at the attitude of Lord ffrench in regard to your signing for him. The copy of the Imperial Edict communicated by the Viceroy of Manchuria is placed in our files.

Letter 23: Chinouhu Aigun Railway. We are pleased to file copy of the memorandum agreement signed by yourself and Lord ffrench on the 6th ultimo, and also to file copy of your letter to the American Charge Affairs, officially informing him of the execution of the memorandum. On October 21th we cabled asking when the final Imperial Edict would probably be given, and are in receipt of your reply (cable 31) that you are assured that the Edict has been issued secretly and that you hope for a public Edict soon, and will endeavor to hasten to that end. We are daily hoping for advice that the Edict has been issued, as it will then put us in much stronger position in this proposition than we now enjoy.

Letter 24: Mukwang Loan. We note your reference in regard to the changes in the supplementary agreement and the changed in personnel in those having authority in this matter. We file the agreement, which we assume will be the final form.
Letter 25: Establishment at Peking. As you appreciate, we have no definitely settled business, and while we have reason to believe that the Nukuang Agreement will soon be signed and sealed and that the Manchurian proposition will soon be settled, we have felt that it was unwise to establish ourselves firmly until at least the Nukuang matter was closed. Since receipt of your letter we have your cable stating that you are in a position to rent desirable quarters at the rate of $700 a year, requiring about $1,500 to put them in proper condition. Appreciating, as we do, the importance of your being made comfortable, and properly located, we have cabled you our approval of your taking the quarters referred to. We hope the selection of them will prove entirely to your satisfaction and accord with the dignity of your position. In regard to your assistants in the form of a secretary and a stenographer, would say that we would prefer not to develop any more of an organization than is necessary, until we really have business in hand. At that time we will be largely governed by your judgment as to the necessities of the case. We appreciate your need for a stenographer, and in a previous communication have asked you if we should secure one for you here. We await a definite word from you in regard to this matter, having referred to the matter in our cable of today, No. 21.

Letter 26: Nukuang Loan. We note that upon the signature of the agreement providing for American participation in the Nukuang Loan, there will arise questions regarding, (1) construction organization, and (2) the purchase of foreign materials, receipts of tenders, etc.

Letter 27: Hukuang Loan. We note your remarks regarding the probability of the selection of the H-A Bank for chief engineer, in the person of Mr. Geerts, whom you believe to be an able and fair minded man. We of course appreciate the importance of wise selection in the personnel for this end of the business and anticipate many problems in connection therewith. We are pleased to note that you will stipulate that the Group or its representative shall have control of this business in the United States.

In this you are quite right. It is most important that we should absolutely control all of the patronage in connection with this business. Your suggestions are of value to us and we will be pleased to have you take special care to make them, having particular regard to methods obtaining, and also naming persons who may be particularly qualified by reason of their eastern experience. We will of course take no definite action in any of these matters until the signing of the Nukuang Agreement. We are impressed with the force of your opinion that it will be best to endeavor to abandon entirely the old scheme for construction by departmental engineers. Doubtless plans and terms will be more favorable and more easily handled in Manchurian business than can be hoped for in China proper. This is evidenced by the character of the agreement in the Chihhau Aign Railway.

We file your memorandum of American engineers in China, which doubtless will serve us later. Thus far we have been favored with a call from Messrs. West and Marshall, and will be pleased to have others call upon us to whom you have given letters.

Letter 27th: dated Oct. 11th; Construction of Chinese Navy. The matter referred to is of interest and possibly of great importance.
We file it with your letter No. 3, bearing upon the subject, and also file the copy of your letter to Mr. Grenfell. At the proper time we will give the matter further consideration, hoping as we do for a fair share of control in such business as may develop in this line.

File No. 4-11, Mukden, October 1st. We note that you have given to Mr. E. T. Williams, former Chinese Secretary of the American Legation, Peking, and recently Consul General at Tientsin, a note of introduction to us. Because of the experience of Mr. Williams and his familiarity with the situation, we will be pleased to see him, and avail ourselves of his services if we feel we can do so to advantage.

Since the receipt of cable No. 30 we have been awaiting a decision from the State Department in regard to your suggestions, contained therein. The members of the Group approved of them and advised the Department. Today we are informed by them that they also approve, and we have therefore cabled Messrs. Grenfell of London and Warburg of Hamburg, as per copy herewith. We hope the proposition will be accepted and the agreement signed. Our understanding is that by this arrangement we give up no part of our right in financing one-half of the Chengtu extension, and in fact lose nothing in our engineering privileges, as we receive in exchange for 200 kilometres given upon the Chengtu extension, 200 kilometres in the hupsh section of the Szechuen road, viz., the Kuangshui-Huangyang section.

On account of the illness of Mr. Morgan Junior's wife, he has not been able to discuss with the Messrs. Paulings the Chinchou Aigun proposition. We are hoping, however, that he may be able to do so soon, and to learn more of the details from him. With a more complete understanding of this matter, we will advise you further.

Your cable No. 33, regarding an informal discussion with the Russian Minister, has had our attention by cable. We appreciate your reasons for wishing to discuss the matter, but are hopeful that you can defer it until the Imperial Edict shall have been published, and then you can satisfy them with a nominal participation, granting if necessary some advantage to them in the way of recognizing the Hugno-Chinese Bank with some details regarding the loan.

We cabled you today that the Harriman Group rumor is unfounded and have also advised you that we have ordered press clippings and also the New York Herald and Paris Edition of the New York Herald sent to you.

Hoping that you are well, we are,

Very truly yours,
Nov. 6th, 1909.

Mr. W. D. Straight,

Peking, China.

Dear Straight:

Last night I dictated to you for the Group a long letter, covering the subjects touched upon in your various communications. I am pleased to acknowledge receipt of your letter of October 11th. I cannot help but anticipate difficulty in the final selection of men to carry out our work, although others have been able to make selections and I do not see why we cannot, unless it be that there are fewer men of experience to draw from than in the other countries. Do not fail to keep me posted and make any suggestions that occur to you, which you think will be helpful in this direction.

It is perhaps unbecoming and unwise for me to criticise the conduct of the State Department, and I would not do so for mere gossip, or if it were not done in a very confidential way. The facts are that we are much annoyed by reason of lack of proper attention to these matters. Your cable No. 30 was received a week ago yesterday and immediately telephoned to the Department. Only today are we officially advised of their approval. Wilson says that they found it necessary to give their attention to other matters. I can quite understand how you must be vexed and annoyed at the coming unnecessary delays. I also have been much embarrassed this week, knowing as I have that the bankers on the Continent and in England have been expecting to hear from us.

Our policy has been, and doubtless will continue to be, to defer to the State Department and take no important steps without their approval. I am very much tempted to address a letter to the Secretary, frankly stating our feelings in this matter.

I did not want to advise you officially of a most important matter which is in the mind of the Secretary, and which I send to you for your confidential and personal information. About ten days ago I spent a morning with the Secretary here in New York, and he submitted the following plan; to wit: that the powers, parties to the open door agreement, should on an equitable basis join in a loan to the Imperial Government for the purchase by the Government of the Chinese Eastern Railway, the South Manchurian Road and the construction of the Taitsi-Sinar line. The Secretary admits that this plan is somewhat ideal, but believes that it is possible of accomplishment and would result in a permanent settlement of the Manchuriian question. Upon its adoption China would own the railroads in Manchuria, and all the powers would be equitably interested in the finances covering the railways. He argues that China would welcome this and that Japan would have to bow to it. Wilson telephoned me tonight that they are framing a confidential cable to the embassy in London suggesting this plan. We (members of the Group) approve the plan if it can be carried out. We feel, however, that it is most important that nothing should be said or done until the Imperial Edict on the Taitsi-Sinar line is issued, and I feel that we should also have the Manchurian Bank scheme settled in our favor, not that we would hold it out, but that it would give us a stronger position.

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Of course if this plan is adopted we would be in a very strong position, as it would have originated with us and we would have the bank and the Taisihar line to trade with.

Your letters to Mr. Schiff and the correspondence between Mr. Harriman and Mr. Westzein have been shown to me, as has also the letter of Mr. Warburg.

I think I have written you that Mr. Bland does not enjoy a reputation for popularity. In other words, we meet nothing but criticism of him, although his ability seems to be recognized and his experience thought to be of great value. I have much respect for your opinion regarding him, and your knowledge as to his working qualities; that is of your ability to get along with him.

I much appreciate your giving me the information regarding various Chinese officials. I hope it is not much trouble for you to pronounce their names in dictation, or for your stenographer to spell them. It would serve the purpose quite as well, however, as far as my memory goes, if you were to number them - all Japs look alike to me. Warburg is working with me in this Chinese business and I enjoy him very much. I also have high regard for his judgment and ability.

As I wrote you for the Group, your action in signing the agreement was entirely satisfactory. In fact I think you did exactly the right thing, and admire your action. This of course I state personally, and can say that individually the other members of the Group agree with me.

You must have been much annoyed by your lack of proper accom-

modations in Peking. I hope long before this reaches you your accom-
modations will suggest an American bride and that they will also comport with the dignity of your position.

I have mentioned it several times, as you have also, the suggestion of your coming back for a short trip. Of course your judgment in this matter will have great weight, but I cannot help feeling it would be a mistake for you to leave the ground when negotiations are as active as they appear to be at this time.

I know of nothing of particular personal interest to write you. Our country seems to be prospering. Next week our President returns from his swing around to the West and South. The benefit of his trip politically is yet to be determined.

Secretary Knox expressed to me great regret at the Crane incident when I saw him the other day. He said that he would like very much to save Crane's face, but it was made impossible, due doubtless to the unfortunate advice of Crane's friends, who induced him to seek the President's backing at the expense of the Secretary and the Department.

My family are now settled in our new home, 12 West 51st Street, and the children located in school. Mrs. Davison joins me in best wishes and kind regards.

Very truly yours,

Signed H. F. Davison.
The matinal light burned too late again last night —
You must be very tired — and
I feel frightfully guilty —
Knowing you were weary —
not to have "beat it" —
and let you rest — I
cannot though — honestly
say that I am penitent —
Your chariot awaits —
as do I — your orders —
W. S.
Messrs. J. P. Morgan & Co.,
For the American Group,
23 Wall Street,
New York City.

Gentlemen:

Supplementing my L. No. 36 of October 29th,
I have to report that my telegram of the last instant requesting
authorisation, if necessary, to discuss Manchurian and
Mongolian business with the Russian Minister here was prompted
by information which indicated that unless some such assurances
were given the Russians, they might protest against the Chin-
shou-Algin Railway.

Your telegram Twenty gave me the free hand desired.

Fortunately, however, it has thus far been unness-
ary to take the steps contemplated.

M. Korostovets, the Russian Minister returned to
Peking on November 1st. Through various channels he intimated
to Mr. Fletcher and myself that unless the Group were prepared
to come to some understanding he feared that M. Kokotsizf, the
Minister of Finance, would recommend that his Government
make a pact with Japan.

Although not deeming such an arrangement impossible
Mr. Fletcher, particularly in view of Ministre Ito's death,
considered that it could not be reached immediately. He
therefore refused to be drawn. I waited for him to act,
the problem being political rather than commercial.

As neither Fletcher nor myself approached him M.
Korostovets called upon our Charge d'Affaires. He stated that
the Ministry of Finance favored a forward policy while the
Foreign Office, like himself, desired frankly to cooperate
with England and America. Some definite assurance from us, he
said, might convince M. Kokotsizf, however, that the soundest
policy would be for Russia to work with us rather than with
Japan. Without such an assurance he feared that his Govern-
ment might adopt the latter course.

Mr. Fletcher informed him that we could offer
nothing definite at present, that certain enterprises were
being considered, and would be laid before him at the earliest
possible moment, that the Group and the American Government,
would be glad to cooperate with Russia or any other power,
p provide always the basis of such cooperation was a frank
recognition of the "open door." As to possible Russo-Japanese
combinations Mr. Fletcher told the Russian Minister that the
American Government was committed to certain principles and that

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it would continue to uphold the same no matter whether the opposition came from Russia and Japan acting individually or together.

This M. Zoroavets telegraphed to the Minister of Finance.

I now await notification of the issuance of the Edict before taking the matter up with the Russians.

In discussing the question of participation with them, either with the Russo-Chinese Bank or with the Russian Minister I shall continue to cooperate with Mr. Fletcher. Your instructions regarding the extent and character of their interest in the enterprise will be observed.

I have done nothing further regarding the Manchurian Bank and shall not reopen formal discussion until the railway project assumes more definite shape.

Yours truly,

[Signature]

The Willard Straight Papers at Cornell University
To a Lady who stays up two late — and two high at night.

If in autumn you stay up at night
When you have dressed by candle light
You'll find that you will have to pay —
And sometimes go to bed by day —
And though it may not be hard for you
When all the sky is clear and blue
To run and hide yourself away —
Just think of us — and don't, I pray —
For time is fleeting and too fast
The sands are rushing through the glass
And for us there is no play —
If you must go to bed by day —
But if you wish to watch awhile
At least your Grace should deign to smile
On us who sit and mourn our plight
While you are up another flight.

Original in private hands.
Monday night.
Nov. 15th 1909 - Peking.

Princess -

I thank you for coming here - and for all the sunshine you have brought us with your bonny laugh - and your quick appreciation, for your interest - and your sympathy - You have given us both more pleasure than you know - You have touched me deeply - Peking will be very different now that you have gone - dearer because you have been here - and more lovely because you have been and gone - The House too will bear the impress of your presence - and be arranged according to your ideas - and I shall like to think of you're having been there - and been interested - in what could be done and what might be made of it.

Please be careful - You are very precious - and may your journeyings be pleasant -

Please come to us again - Again thank you -

W. S.

Original in private hands.
Hongkong Bank:  
Peking  
16 Nov. 1889.

My dear Mr. T. Stringh,  
As the request of  
Mr. Paul Brooke, of Hongkong conveyed through the  
Manager of our Shanghai Branch, I have pleasure  
in introducing you to Mr. T. Stringh, who will  
explain to you his business. Anything you can do for Mr. Stringh  
will greatly oblige.  
Yours sincerely,  

[Signature]
Sunday.
Nov 21st, 1909.

I knew you wouldn't fail me Princesse - that the mail train north would bring word from you - Your letter greeted me this morning - another wonderful Sunday - soft and bright - and made for us to ride together.

Thank you for writing as you did - To have you say such things makes me proud and happy - happier than I can say - and proud - for I feel - and I ask it humbly - that I may bear your colours on my helm?

A week ago - we were walking toward the Tombs - and all day I rode beside you - save for a little time when I feared that I was boring you - and made room for Mr. Bland - You were so peaceful and quiet - I loved just to look at you - and for me it was one of the happiest of all the happy days - That night perhaps you'll remember I was very silent - I hated myself for not being able to seem more cheerful - but I could not, for I realized what it would mean when you went away - how much you had brought - and how much you would take with you -

Now I try to be content with that pledge of Faith - and it does help - The Shrine is very real - and the strange brass Lady - with her many arms - like yours, Princesse extended in kindness - and sympathy and interest - shall be guarded tenderly - Now too I have the lama skull cup - yours and another like it - one you shall give to me and one I shall give to you - Censers for you, I shall also find -

I cannot write the things I feel - but you understand - I think we both did that morning as we looked out over the mist shrouded city - then back to the Golden Roofs - as we walked down from the wall - and through the busy gate - to the station gate - and then for the last - turned from the bridge and the broad street - to the distant hills of "Borderland."

It is not Goodbye - is it Princesse? - only Good Morrow - and God speed you on your way - Guarding you always.

W. S.

Original in private hands.

American Legation Peking
Monday (Nov. 22nd)

Princesse-

We rode to the Bell Temple yesterday and paid the little boys. In the Great Hall, where we did not enter, you and I burned two sticks of incense and turned southwards with a prayer for you.

At daylight tomorrow a steamer sails for Shanghai which would catch you before you left. I have been trying to believe that I could honestly leave to join you. If you needed me I should do so. But now I do not feel that I could justify going to myself. It is very hard, for I want so to see you. Perhaps later I can go. But in the spring--surely - in Italy with the gray green of the olive trees and the white roads and soft coloured stucco. That, I think I can - and if I can, I shall-do. It will be very long - this week has been very long - but it will be something to dream toward.

I could not bear Princesse to go to you feeling that I had shirked in any way. If you need me and send for me, I shall come - for Menocal and Fletcher are here. If you don't, God willing, I shall go to you in the spring. 

W. S.

Original in private hands.
PEKING, CHINA,
November 23rd, 1909.

H. P. Davison, Esquire,
23 Wall Street, New York City.

Dear Davison:

Your letter of October 8th. with Mr. Pegram's memorandum about the code reached me a day or two ago. I am cabling you today that I shall in future use the new alternating current as outlined therein. The Western Union does not contain a very complete vocabulary and for that reason it is sometimes difficult to give diplomatic shades. However, it will do quite well for ordinary messages and the addition and subtraction of numbers will prevent those who run from reading.

I am extremely obliged to you for handling the Banker's Trust Company matter for me. The tidy little sum is most welcome and will clear off one or two things that have been bothering me for some years. When that is done there will still be a balance and perhaps one of these days you might put it on something good, and further increase my debt of gratitude while adding to my credit balance.

Fletcher is greatly obliged to you for taking his matter up with the Secretary, as am I. In many ways it would be well if he could be kept on as Minister. On the other hand I do not believe in promoting a man from Secretary to Minister at the same post unless absolutely necessary. From a diplomatic point of view it is always better to have the Chief come fresh from another post. I hope that Fletcher will get something good. He deserves it. And fervently too I pray that we shall have the right man for Peking. The last fiasco was terribly galling few poor Mr. Cranem but it was equally hard on the Americans here who looked a pretty parcel of fools, when taking Mr. Taft's cue they had been trumpeting for some three months that the Heaven-born had been found at last.

As you know from the cabled correspondence I have taken a house and am now getting myself installed. The place is large and fine, but in sad disrepair. To do it up properly will require a considerable sum. I shall cut it down as low as possible but I believe that for the sake of the Group's interests it is well to have an impressive and well kept a manse as possible. The property is worth from ten to fifteen thousand taels. I believe, possible twenty if we try to buy it. Translated that is from seven to fourteen or fifteen thousand dollars. If it were purchased and properly fixed with heating plant etc. the Group could always I think, if found desirable, sell out at a profit probably but certainly not a loss, as residences, particularly those at all in shape for foreign occupation are, in great demand and command high rents. I hope to be in within six weeks.
six weeks. When the stenographer comes I shall try to find him a place nearby but shall not have him living with me.

There's another point. I have been hiring a carriage since I've been here, thinking that I might be pulling out at almost any moment. Now that it appears that I am to be more or less permanent, I shall either have to buy a carriage and horses or a small motor-car. I am rather inclined to think that the latter would be the best. Certainly it would be the most handy for the distances here are very great. One can get a Chinese chauffeur at a pretty reasonable rate, and I should not think that the total expense would be heavier than for the upkeep of the alternative horses and carriage. On this matter I should like a word from you. I don't want to seem grasping, but feel that it is important that the Group's establishment be a good one, no matter whether I continue on as Agent or not.

Although there have been annoying delays in this business thus far, and though there doubtless will be in anything that is done in China, I believe that there will in the future be much to be done here and that considering the length of time we have been in the field we have little cause for complaint. For that reason your installation here is likely, I should think, to be permanent and I hope that steps taken now will be with regard to that condition.

My own idea in suggesting that I visit the United States was to talk things over very fully with you, hoping...

that a more complete understanding which can only be reached in that way would be beneficial to all concerned. The delays in the notification and in the issuance of the Manchurian Agent however make impossible any thought of leaving until matters assume more definite shape, and you may be quite sure that for the sake of my own "face," as the Chinese say, I shall not think of leaving here until I can deliver you something besides typewritten pages and demands for funds.

As to the consultation, perhaps there will be a chance for something of the sort in the spring. That would suit me personally much better than to leave here this winter.

I was much shocked the other day to read of Mr. Buchanan's sudden death. I had grown to be very fond of him.

This will reach you about Christmas time. I am sending some small Chinese dolls to Miss Davison, which I hope may amuse her. Please accept my best wishes for Mrs. Davison and yourself.

Sincerely yours,

[Signature]

You must come before you go. I am anxious to see you and hear.

[Signature]
The Braumbrilla's and McCormick came to see you off - just as you left - and Mrs. Ker is very grateful -

Princesse -

It seems very lonely in Peking tonight - No lantern party - no music - only the incense burning to you as you speed southward and we sit here - Bland dined - He too was lonely - and even old Jameson whom I saw this morning was more forlorn at you having gone away -

This afternoon we had our polo - quite good it was and faster than usual - but there was no motor on the side lines - and no tea in the hall when we returned - though we had a dismal imitation alone in the library - until we were interrupted by two Russians - one the Manager of the Bank, the other the financial agent who had been with Kokotsev in Harbin and Vladivostock - and is now on his way to Japan - trying to have a "seat on the Band Wagon" I think, en route - so that he can play us off against the Japanese just as he will undoubtedly try to play them off against us once he reaches Tokyo -

Strangely enough - a long telegram from Hamburg today reporting the result of a Bankers conference in Berlin yesterday - An agreement proposed which does not seem satisfactory - though it may be the beginning - At any rate it shows that they are on the run and that we only need to sit tight - in order to force them to come to terms - Then too a man came in about five big mines in Tonking - in behind Haiphong where you stop I think on your way south - He came from Sir Paul Chater - Had he been here three weeks ago I might have arranged to be ordered to look into the proposition at Hongkong - That would have been rather nice -

Today I have seen French again - and Cordes - the German - We are assured that the Manchurian matter will soon be settled and that the Viceroy himself may soon come to Peking - From Cordes, and from the telegram it looks as if the Hukuang pot would soon be boiling once more - So I have thought it out - and I'm obliged to stay here - It would be splendid to be with you again - and that is what I wish - but should

Tuesday, Nov. 23rd (cont.)

I leave - I should feel much like a Captain - who very tired and weary - sought rest when the barometer was falling - and so it cannot be now -

One is weary sometimes - and you brought us rest - and by your interest - made many things seem worth while - and not quite so stern - I hope that your journey has been pleasant - We have followed - and will follow you, in thought - and may these guard you - even as we would do - were we able -

It's late now - The Lady shall keep vigil - and the incense burn to your Good Fortune -

To Mrs. - and Miss Bend - my Salams - To you all our best wishes and our gratitude.

W.S.
Nov. 24th, 1909.

Princesse -

Today I wired you asking you to help in your House - It was presented to you on the wall that last morning if you remember - I hope that it hasn't been too much trouble for you - It seemed quite heaven sent - This word that came this morning that you were in Shanghai for I had thought of you as being out amongst the canals and bridges about Soochow -

You will soon be speeding southward to Hongkong where this letter will catch you - I think of the sea slapping along under a fresh west wind - the waves dancing and streaking and glinting in the broad path of moon light - the junk sails lifting out of the night - the cordage singing over head - the thump of the screw - and the clang of the ship's bell caught up and swept away by the fresh wind - and of you walking the decks -

I can't tell you how much I want to be with you - If I wanted it less - I should be more apt to be there - for now I can't trust my judgement - about going away - I so long to go. - It is hard to think of you only three days to the south - and hard to think that I might be betraying a trust if I went to join you - It's a stiff fight - now I am counting the days till Spring - when I shall insist on leaving for a time - You see my stenographer - whom I have asked to have a competent person capable of relieving me should I go away - will have been here sometime then - while now there is only Menocal -

You must let me know in time when you're to be in Italy and then I can arrange to greet you - Will you? -

On the end of my wire today - I added "Borderland" - That seems a good code work - for it means much - so perhaps you won't mind my sending it to you now and then -

Good morrow,

W. S.

Original in private hands.

Princess-

It's a little like shooting into the dark - inasmuch as you've been addressed very frequently of late, while I have received only one note, albeit a very precious one. However, this to greet you at Singapore, for although you'll doubtless find stacks of accumulated mail, perhaps you're human after all and like letters - I do.

An interchange of foolishness yesterday and your quip this morning to wake me after the British Legation Ball. Mr Fletcher still lies "doggo". It was a gay party. Very crowded and many awful folk dancing. I spent my evening talking to Chinese, save one dance and a half which I devoted to smoothing Mrs Barnett's accumulated ruffles of feelings. Apparently I have been most negligent - but quite importe.

We had word yesterday - both of us - that the Nukuang settlement which we told you of that day you dined with Mr Jameson, has been brought about as far as the Bankers are concerned. Now for the first time since September 24th - just two - we can present a united front to the Chinese. As a matter of fact, it's longer than that, for we've never been actually agreed among ourselves. This is really the first. So I was right in not going. I'm very glad this has happened or I should have always cursed myself for an over-conscientious ass.

Manchuria is quiet. Everything has been frightfully upset by the summary removal of Tuan Fang, the Viceroy of Chihli. He was dismissed ostensibly because he had cinematograph pictures taken of the Empress Dowager's Courtage - and ran telephone and telegraph wires within the Sacred enclosure at the Eastern Tombs. More than that. Disreputable old that he was, he had allowed his sedan chair to be carried across the spirit path - thus holding up the whole parade! The real truth is that the

Dead Empress Dowager's Party is entirely disgusted with the time serving policy of the Regent, and has compassed the downfall of Tuan to humble the Chief of State. It seems now not improbable that Tuan may come back. He will if given a place on the Grand Council - but not without it.

The house goes slowly - the plans are nearly completed but there are little hitches. I wonder if I have asked you too much in begging you to select curtains and paper. By the time you receive this I shall know. You say nothing about it in your wire yesterday to Henry Willard, but you must have received my message which went at the same time. I should like to think that the colours had been chosen by you. Hence the request.

As you fly southwards we shall be anxious to know how you fare. If you receive a cable from Peking with the one word "Borderland" you'll know that I am asking whether you are safe and well and enjoying life. The same word in reply will mean you are. Thus much gratifying information will be received - and the dividends of the English Royal Family which owns the Deep Sea cables will not become inordinately swollen.

It's still bright and fairly warm here. What wonderful moonlight nights you must be having. "Alone beside the River - to the South - I turn and watch the moonlight in the sky."

Bon Voyage.

W.S.

Original in private hands.

The Willard Straight Papers at Cornell University
Dear Davison:

Enclosed are two letters to Grenfell which may interest you. They deal with the rectitude of the London Manager of the Hongkong and Shanghai Bank, and with the character of one J.O.F. Bland, late Agent of the British-Chinese Corporation in China. Mr. Addis the former has done what he could to besmirch the reputation of the latter. The letters speak for themselves.

With kindest regards, believe me,
Sincerely yours,

B. F. Davison, Esquire,
23 Wall Street,
New York City.

Two enclosures.
" " 1/76.

File No. 1/77.
2/49.

Peking, China,
November 27th, 1909.

My dear Grenfell:—

Your letter of the 9th. of November regarding the Manchurian matters has of course been anticipated by wire from New York referring to the conference between Pauling's and Mr. J. P. Morgan Jr.

You ask about Bland. The best answer I think is to refer you to Addis, with whom Bland had all his difficulties. You have by this time, and my letter of even date will give further information, learned something about that worthy. As I have already told you he instructed Hillier, who should have been Joint Agent for the B. & C. Corporation with Bland, to cut the ground from under the latter's feet. Where Bland was bound by certain instructions, Hillier acting for the Bank and not the Corporation was directed to offer better terms than Bland could give, and because certain friction arose with the Chinese, friction which was encouraged by Hillier, Hillier and Cordes, the agent of the B. & C. Bank industriously spread rumours that Bland had quarreled with every official in Peking. Cheng Chi Tung it is true did not like Bland's ways. He was however, largely under the influence of Cordes and a Japanese Banker, both of whom were Bland's
Bland's rivals. Since his return this time Bland has been on the best of terms with the higher officials. He has received a decoration from the Government because of his good work in "China's cause", and has been repeatedly approached with offers of new business.

He is as you know now bound by his agreement with the Corporation not to engage in Chinese matters for eighteen months. He still draws a salary which he needs. I imagine however that he would sacrifice his stipend and enter this field again at once if something offered.

His principal usefulness now I think would be in working up the Russian end of the game.

Yours sincerely,

W. C. Grenfell, Esquire,
22 Old Broad Street,
London.

Copy to Mr. P. Davison, Esquire.
insist that the Germans make some sacrifice. The suggestion that the D. A. Bank give up the Hsiangyang-Kuangchui section came from the British Government.

With these facts of course you are familiar. You probably also know that a few days since Mr. Reid wired Washington that he learned confidentially that the French Group's representative at Peking was showing some restlessness. If this report did not come direct from Addis it was, I feel confident the result of his representations to the Foreign Office. The Frenchman here has assured me all along that he would be delighted to have the matter settled on almost any basis. When I asked him night before last whether he had been restless under the proposed transfer of the Hsiangyang-Kuangchui section to an American engineer he denied it absolutely.

I shall write Mr. Reid about this matter but you also might tell him if you will.

Hiller the local representative of the H. & S. Bank is I think pretty straight, as much so as he can be under Addis' instructions. My experience with this crowd, however, has convinced me that instead of working with the H. & S. Bank in China we had best steer as clear as possible of any connection whatever with people to whom falsehood apparently is the most used of tools.

Yours sincerely,

E. G. Grenfell, Esquire.
Copy to H. P. Leavitt.
the country is too vast. It is therefore to the advantage of this railway that the general development of the country should be encouraged in every possible way. The richer the people the greater will be the markets for Japanese goods, and Japanese merchants, with their admirable shipping facilities and geographical proximity should not regard foreign competition as a menace sufficient to warrant them in urging their Government to take steps in contravention of its treaty engagements.

You yourself did a great work in jelly. I am quite familiar with the Customs Regulations for the Port and the admirable provisions thereof. You have been obliged as have many others before you to bear the brunt of inaugurating a movement unpopular with those who hoped to profit by a less honest course. Time, however, will justify all that you have done, and recognition of your leadership should in part recompense you for what you have suffered.

Let me hear from you again when you have time and inclination to write. I shall be here for some months to come though I hope to go home in the spring, for a time at least.

I did not know that you were married. My congratulations. Please pardon the typewritten letter. It's very hard now for me to write in long hand.

With best wishes,
Sincerely yours,
The Kukuang matter still hangs fire apparently but I hope that as soon as things are settled in Europe we shall be able to clear this, at least, from the slate.

These days are annoying enough to me who have been to a certain extent broken in by some years residence here. They must be even more so to you at home. I hope however that you will not for some time yet begin to feel that the game is not worth the candle.

The Yangtze Bridge I am working at also and hope to be able to get an imperial guarantee. If that can be secured the proposition should be a good one and we would be able to hepd up both British and German's who so long obstructed our efforts to come in on the Kukuang loan.

Your last telegram states that Pauling's has informed you that the British Foreign Office is anxious to secure Japanese participation in the Manchurian Railway. My letters have been so full of this matter that, while I should like again to emphasise the undesirability of admitting Japan just yet, I have not felt justified in writing you to that effect. Here we to admit Japan now it would be virtually a recognition of her political right to veto all railway construction in this region. This cannot be given. Later--when China has ratified the Agreement and given the contracts to Pauling's and ourselves we might be wise to consider the admission of Japan, solely on commercial grounds. Japan, however, were such an invitation extended, should be given to understand once and for all, that she was being given participation for commercial not political reasons. Russia should be admitted on the same grounds, but much more readily, for if we admit the Japanese we shall lose much of our influence with China. It is now, and will be to our advantage to keep Japan out. This will generate friction between China and Japan, and the more the former fears the latter, the better the terms that we shall be able to secure.

The Western Union Code seems to me cumbersome and expensive. I have just seen Bently's code. It is much more satisfactory and with key-cards can be made secret. I am winding you in this regard.

With best regards, believe me,
Yours sincerely,

I am sending to you some small dolls for Miss Davison.
Prissesse- Lointaine-- You are now, as you speed southwards, starting again today for the shade of the Mahim Woods. It was very good of you to send me the kodakes and the Porcelain book--and rarest of all the photographs which I have coveted for many years. It will be nice to think that you opened the Palace Gates for my only visit to Fairy Land and that this record shall be of that visit rather than a collection of pictures, no matter how fine.

And why, pray, did you not dare select the samples? It would have been so much nicer to think that you had done it. However I shall have the rugs made as you suggest, on condition that you'll come back to see them.

On Sunday I rode out again past the Bell Temple and across the fields into the sunset--then back along the canal. I was quite alone save for the man who tagged on behind--and wished that you were there with a verse--for it was very beautiful in the cold evening light. But you were there, Prissesse, if there be any force in the conjury of thought and memory and association, -even to the turn of the head and the echo of laughter.

What shall I do about the "Houseboat Days." I have a copy for you- "Ex-dono" and surely you would not deprive me of the pleasure, Prissesse, - you who give so much pleasure to others. Miss Webster looks well in the dark blue suit, and Miss Corbett was touched by the Emerson. I'm glad you like him. His essays are among my favorites.

For you Prissesse I shall guard the Sacred country well.

U.S.

Original in private hands.
December 8th, 1909.

Mr. W. D. Straight,

Peking, China.

Dear Sir:

We beg to acknowledge receipt of your unnumbered letter of October 19th, your letters #29 and #30 of October 20th, your letter of October 22nd (presumably #31), your letters #32, #33 and #34 of October 28th, your letters #35 and #36 of October 29th, and your letter #37 of November 10th, all of which we have carefully noted and to which we refer in more detail below.

Letter of October 19th: Chinchou-Aigun Railway: We are much interested in your report regarding the political and diplomatic features of the present situation in Manchuria, and we trust you will continue to keep us advised of your observations in these matters. We note also that you are now engaged in drawing up the loan contract for this road and we have your acknowledgment of our cable #22, in which was embodied an opinion of Paulings that they regard it important that the loan contract for this project should not be finally closed and signed until the terms of their construction contract had been agreed upon. We hope that you will soon be able to submit a draft of your ideas for the loan contract so that we may go over them and get the matter in shape for signing up promptly after the construction contract with Paulings has been arranged and the Imperial Edict issued. You will bear in mind of course that the total amount of the loan, term of its currency, and price of issue, have not yet been fixed and that you are not to commit yourself on these points without consultation previously with us. We understand also that this loan is to be secured in interest and principal by the guarantee of the Chinese Imperial Government and by a mortgage on the railway, and we think it important that this matter should be clearly stated in the loan agreement.

Letter #30, October 20th: American Bank in Manchuria:

We have filed for further reference, when the question of the establishment of a Manchurian Bank comes up, the report of Mr. Fisher, American Consul at Newchwang, regarding the possibilities of a bank there.

Letter #30, October 20th: Loan for Whampoa Conservancy:

Apparently this matter is not yet in a definite enough shape to be passed upon by the Group. We trust you will keep it in mind and advise us later of any definite developments; as you say, the amount is small but it might be wise to take the matter up when it is in shape for action for the sake of our other interests in China. We feel it important however, if our co-operation is desired, that the scheme be presented to us as one of the Imperial Government and not as a provincial matter; we understand that it is contemplated to be such.
Letter of October 22nd: Chinchou-Ailun Railway.

We are glad to have your explanation of the reasons why you consider the preliminary arrangement which you made with Paulings equitable for both parties, and we note with interest their very favorable position in Manchuria. As you have been informed by cable Mr. J. P. Morgan Jr. is now discussing the Chinchou-Ailun project with Paulings and as we notified you in our message #23 of November 29th, he has been advised by Paulings that they are now willing to give us somewhat better percentage of the profits than at first suggested, saying that they will let us know a little later what will be the best they can do. In this connection they advise Mr. Morgan, Jr. that the British Government is anxious to have us include Japan, in which case they [Paulings] feel that we would be in a better position to secure the British Government's support. We note, however, your cable #40 of December 4th advising us not to admit Japan at least until negotiations had been renewed; we presume this matter can rest until after the publication of the Imperial Edict.

We note the financial situation in Manchuria as described in your letter, and we have at hand a list of revenues, from which a selection could be made by the Chinese Government for the service of the loan, as furnished you in 1907 by H. H. Tang Shao-yi. You will note from the suggested loan agreement which we are enclosing, we feel the security for the service of the loan should be made more definite as all authorities seem to agree that Manchurian revenues at present are not very dependable.

We are also very glad to have the blue print map showing the route of the proposed railway, which accompanied your letter and we note copy of your letter of October 22nd to Mr. R. C. Grenfell in London.

Letter #33, October 28th: We note your suggestion regarding the Yokohama Specie Bank and it will have such consideration from all members of the Group as is possible for them to give at this time; we understand your feeling in this matter and we sympathize with it. We think that we could hardly undertake just now to interest the American manufacturers of whom you speak in changing representatives in China, but we may be able to have some effect in that way later.

Letter #34, October 28th: Your remarks about the several newspaper correspondents in China and Japan are very interesting, and we can quite understand how it would be very prejudicial to the interests of the Group to have any indiscretion shown by the correspondents of any European or American papers; I think that you have handled this matter very satisfactorily so far and we shall be glad to co-operate with you in it if occasion arises in the future.

Letter #35, October 28th: Manchurian Business: We note your remarks about the publication of the Edict for the Chinchou-
Aigun Railway loan and regarding the signing of the preliminary agreement for the establishment of a Manchurian Bank. While all these matters seem to drag a little, yet we think perhaps it is just as well that they be not pushed until after the signing of the Hukuang Loan; we hope that then all of the matters which we have in hand can be closed up satisfactorily.

Letter #35, October 29th: Hukuang Loan: Your suggested compromise for the settlement of this matter meets with our approval, and has met with it since it was first suggested to us by cablegram. We have, in connection with the State Department, and through Messrs. J. B. Morgan & Company in London, and Messrs. M. H. Warburg & Company in Hamburg, been endeavoring with some success to get the several European Governments and Groups who are interested, to accede. In fact it is our opinion that the matter at one time was in a fair way for settlement in two or three days, when the French Group suddenly advised that acting under instructions of the French Government they could not consent to less participation in the Chengtu extension that the Americans or the Germans. Our Government of course does not feel willing to make any further concessions regarding the engineering rights in this extension and the matter is still under negotiation. We are hopeful however that, since the British, German and American Governments and Groups are now in accord, the French may be induced to agree and we will advise you by cablegram when this very desirable consummation is reached.

Letter #36, October 29th: Manchurian Business: We note the revised preliminary agreement for the Manchurian Government Bank. It does not seem to differ much from the original preliminary agreement for this bank except that you have specified the rate of interest is not to exceed 5% of the face value of the bonds, and have, as you say, included several provisions to minister to Chinese pride.

As to participation in the Chinchou-Aigun Railway Loan by Japan and Russia, we can only say that our course in this matter will be governed by the policy of our Government. We hope however that matters of this kind in relation to the loan may be deferred for discussion until after the publication of the Edict, and we understand from your communications that this is also your hope.

Letter #37, November 10th: Manchurian Business: We are glad, for reasons explained in the paragraph above, that you have not found it necessary to discuss definitely with the Russians the matter of participation in the Chinchou-Aigun Railway. As you say, these matters are rather political than commercial, and we shall have to be guided very largely by the course which our Government may adopt in them.

We received some cablegrams ago, but have not before acknowledged, your cable #37, asking us to send office supplies and files.
Mr. W. D. Straight

12-8-69.

with the stenographer whom you had previously asked for. We think we understand just what you require and we will see that the matter is attended to. Up to this time we have not decided on a suitable stenographer for your purpose but hope to be able to telegraph you soon that he has gone forward with the supplies that you wish. With regard to your suggestion that we use Bentley's code with additions, would say that we have no copy of this code in the office but can obtain it (at a considerable cost however) if it has real superiority over codes which we are at present using. Doubtless you can explain by letter why you think it necessary to use this code but in the meantime we will try to get along with the ones which we have at present.

Very truly yours,

December 8th, 1909.

Dear Mr. Bacon:-

A good deal of water has passed under the bridge since I sat on your lawn at Eastbury, and I don't know that we are really much farther ahead than we were then. We are really much stronger save that the group has been started and has a certain plant running at Peking. That is perhaps something, but the goods apparently are still far from delivery.

The Huilung negotiations as you doubtless know have been dragging. First one thing and then another. The British have not covered themselves with glory, and their temporizing policy has delayed matters so long that it looks as if nothing would be done now until after the election. The Germans it is true have not exhibited any particular eagerness to admit our participation. Their attitude is comprehensible however, for they are the ones who are asked to sacrifice the most. As for the French they are not a ragged tail on the British kite. These quibbling and bickerings are over we shall still have the Chinese to deal with, and they show no disposition to close with us as the Provinces are awaiting themselves of the delay in Europe to create popular feeling against any foreign railway loan.

In Manchuria the old Bank scheme is still on the table. We have at least a Preliminary Agreement for eight hundred miles of railroad, on exceptionally good conditions. That is something. Now the Chinese say that they wish to undertake the Bank project at the same time. Each day we are assured that the matter will be opened and each day we meet with fresh excuses for inaction. The Court it is true is in a terrible state. The former combines of the Emperors Tung Chih and even Kien Fung the two predecessors of Kuang Hua are now claiming certain imperial honours and the Regent weakling that he is instead of speaking these dear old ladies is much upset by their ravings. After the old dowager's funeral they refused to return to Peking unless accorded fresh honorifics, claiming to be so moved by the sight of their
their former spouses' graves that they could not
leave the hallowed spot, which neither of them had
seen for forty years, without being new titles
as a consolation. Their wanderings have held up
all manner of official business. The President of
the Board of Finance, an Imperial 'Prince,' was despatched
to the Tombs, some eighty miles distant, to bring
the resuscitated females back to Nipher, and had to
make two trips before he netted results. Even then
the Ladies nearly broke bonds, when they heard that
there was no yellow sand on the city streets over
which they had to pass, and refused to move until
the Imperial dust was duly sprinkled along their
route. The situation is worthy of a comic opera, and
is about the most ludicrous I have ever known in China.

These domestic difficulties with the conse-
quently show-down among the various official cliques
however have been to a certain extent beneficial for
it has brought home to the public, whose sentiment
counts for little, as well as to the few really sincere
and patriotic men in the Government, that the time
for trifling is past and that strong men must be put
in charge once more. This has revived the story
of Yuan's probable return. Tang has been urged to
accept the post of High Commissioner for Kansuhur to
negotiate with us, and is now I understand, consulting
Yuan, as to the course to follow. If Tang comes
to realizing it is likely that Yuan will follow or that
Tang will soon have the power once wielded by his
old patron. This will of course place us on "Easy
Street'.

Tang I have seen but twice. He is sitting
very tight in Pien-tsin. He is certainly feeble and
not his former self, but I think his trouble mental
and moral rather than physical and feel sure that once
he is in power again his health will improve. The
Chinese take a loss of face very hard. Some die of
gloom for they do not seem to have the outlet in
profanity and hard exercise with which we exercise
many devils. He has spoken of Mrs. Bacon and
yourself in the warmest terms and greatly appreciated
your kindness and courtesy to him when he was in
Washington.

By the telegram I see that Mr. Crane's
successor has been appointed. That incident was a
bad
AFFAIRS IN CHINA.

Foreign Office to China Association.

Foreign Office,
3rd November, 1909.

CONFIDENTIAL.

Sir,

I had before the Secretary of State your letter of the 18th ultimo on the subject of affairs in China, and in reply I am directed to offer the following observations.

His Majesty's Government share the anxiety expressed by the China Association at the deterioration in the financial condition of the Empire and agree that it is only by reforms in the fiscal and administrative system that a remedy can be found. They also agree that loans to China without adequate safeguards to control expenditure are to be deprecated, and would point out that it is precisely on account of the attitude of His Majesty's Government on this point that the negotiations in the case of the railway loans now under discussion have been so protracted.

As regards these loans, British finance was, as stated in your letter, promised prior consideration for the construction of the Hankow-Canton line, but the Association would appear to have overlooked the important provision that this was granted only in so far as the terms, as regards interest and issue price, were equal to the tenders of other countries. The guarantees offered by the Chinese Government appeared however to His Majesty's Government to be inadequate, and in consequence of their refusal to negotiate on these terms, the Chinese Government claimed a right to accept what they considered easier terms elsewhere.

It is so far true that the pledge given to His Majesty's Government in regard to the funds for this line was regarded as a set off for the Hongkong Loan, but it is not correct to infer that the official Agreement was set aside in deference to the interests of private finance. Following upon the refusal by China of the British terms, the offer of the German group as the Association are probably aware, was accepted by Chang Chin-tung, and negotiations were opened with that group in order to prevent a competition as to terms of loans, which would in the long run have led to loans being made without any safeguards as to expenditure.

As regards the Hankow-Szechuan line, a pledge was indeed given in 1903 that resources should be had to British and American finance for the construction of that line — but although enquiry was duly made by this Department some time ago no indication was received from the United States of the desire on the part of American finance to take up their share until quite recently — and in the meantime an agreement for the reasons given above in connection with the Canton-Hankow line had been arrived at which insulates both lines, and matters were in process of arrangement when the claim for participation was put forward by American financiers, and negotiations are now being carried on with a view to meeting this claim.

The Willard Straight Papers at Cornell University
Princess---

The wind howls dolefully, and it is very cold,—the last lingering leaves have gone from the trees along the River and the plain is gray and colder than before—even with the long rays of the afternoon sun slanting across the furrows. You are just about at Singapore, and doubtless in white, with the warm rain of the tropics beating the ground swell, and the shore line ragged with palm tufts. As the gale sings and drones and rustles from the north I wonder whether it is stirring your ocean track and causing fiddles to be clamped on to paddock your French cuisine.

Here all is quiet, save for the Palace row. I have been in Tientsin having a dentist fix up my rapidly crumbling head, and buying furniture of sorts. Both were painful and I was glad to come home again last night.

It is a heartbreaking game. Things seem to be developing in a way I do not like. The Chinese apparently having used us for their own ends, we having pulled their Manchurian chestnuts out of the fire,—are shilly-shallying about the Railroad. We get no "formuler" and learn that they are now playing with others the same old game. I had really thought them honest and sincere in their dealings with us. I suppose I should have known better. "Tout passe, tout passe", and the worst of it all is that one cannot lose one's temper— one cannot go away but must sit quietly and watch and wait—trim one sail to every breeze—take a reef here or shake out a spinnaker there—always steady and never discouraged, for it is a long game and a big one and not to be won in a single day, nor to be forsaken because even of months of heartburnings and ebbing confidence.

So much for that, which is the minor of our song— the glad notes there are now and then, when we think of you all, and make plans for seeing you, and the darker and more lonely and nerve-racking, the more grateful I am to you for the memory you have given, which even in retrospect makes this a place in which at least one can relive the past,—if one cannot extract much from the present.
Manchurian Business.

PEKING, CHINA,
December 15th, 1909.

Messrs. J. P. Morgan & Co.,
For the American Group,
23 Wall Street,
New York City.

Gentlemen,—

Supplementing my L. No. 38 of November 23rd.,
I have to report that about three weeks ago, through the Grand Councillor Shih Hau, I learned that the Chinese Foreign Office had recommended to the Throne that the Chinshou-Aigun Railway be built as laid down in our preliminary agreement and that funds for the Manchurian Bank be borrowed from the American Group. Shih Hau has since then repeatedly assured Mr. Backhouse that the Throne had approved this plan and that something definite would be done as soon as the differences between the Empress Dowager and the Regent were settled. The Grand Councillor also stated that a high official would shortly be appointed to take charge of these negotiations, and that Tang Shao Yi, ex-Governor of Fengtien Province (Manchuria), had been requested to act.

Tang.

Letter No. 40,
File No. 2/10/40.

December 15th, 1909.

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Tang.

L. No. 40.

Tang I saw about two weeks ago. I gathered from him that he would undertake the task if assured sufficient backing in the Grand Council. He has been in communication with Yuan Shih Kai. This official, the strongest man in China, has been repeatedly, of late, requested to return to power. He will doubtless do so eventually, but is now awaiting a more assured state of affairs in the Palace, before alloying himself with either of the opposing factions both of which are apparently trying to induce him to resume his official duties.

During the past week there have been indications that the Chinese were approaching the Deutsche-Asiatische Bank, the Hongkong and Shanghai Bank, and the Banque de L'Indo-Chine regarding this Manchurian project. I therefore called on Liang Tun Yen, President of the Foreign Office, of Wednesday last, to inquire concerning our Manchurian business.

H. H. stated that while his Government had no objection to the railway scheme, it was now proposed to embark upon a project for the general development of Manchuria, and to make the Railway a part of this larger enterprise. He thought our Bank scheme suited to the purpose.

I assured him that the Group was prepared to proceed with the project outlined in the Memorandum signed by Tang Shao Yi, then Governor of Fengtien, on August 10th, 1906. Liang denied all knowledge of this document. I told him it was on file at
at Mukden. I added however, that in view of the official changes which had taken place since the signature thereof, it would probably be well to have a fresh agreement on the lines of my draft which he already had, and which had been left with the Viceroy of Manchuria.

H. E. said that he could do nothing now as the whole matter had been referred again to the Viceroy. This official had been instructed to make further suggestions, and to embody the railway scheme in a plan for the broader enterprise.

My reference to the Tang Hemonandum was intended to forestall an effort on Liang's part to bring in the Germain, British, and French, by notifying him of our prior claim. During the conversation he mentioned a rumour that these interests and the American Group contemplated a large Manchurian loan. He said he knew nothing about this and asked me if we were interested.

I said I had heard the rumour, but that we preferred to stand on the Tang Memo. We would of course be prepared to bring in others if China so desired, when the proper time came. For the present however, I stated that it would seem wiser for China and better for us to keep the matter as quiet as possible until my draft preliminary agreement, establishing the position of the American Group, somewhat more clearly, had been signed. This would prevent Russia and Japan from interfering in the matter until we were prepared to extend such measure of participation as China might wish to give.

To this Liang made no reply.

From various sources I now learn that the Chinese, presumably Liang, have been sounding Hillier and Cordes with regard to this matter. It is apparently intended to hold out a promise of compensation for the loss of the Hukang loan, against which there is a very powerful and steadily growing provincial opposition.

How far Liang will go along these lines I cannot say. He as well as certain other high officials however, for reasons which are not wholly disinterested, object to the "Operating Company" clause in our contract.

By subordinating the railway to the "bank project" and by introducing the other local bankers into the negotiations instead of securing European money through us, it seems not impossible that the Chinese wish to play upon the inter-Group jealousies, in order to start a journalistic ventilation of Manchurian affairs without assuming any financial obligations, i.e. to give publicity to Manchurian conditions by holding up a large loan, and at the same time to create so much friction between the Groups that, as in the case of the Hukang loan, China will eventually not be obliged to borrow owing to the differences between the lenders, or to obtain better terms, securing the needed funds without any foreign supervision of expenditures.

The above are but possibilities and I still hope to be able to carry out the original programme and secure these rights in entirety for the Group.

Liang
Liang himself, who now seems to be the chief spirit in this new game urged that an American financial representative come to Peking and that American interests keep clear of the "Bankers Ring".

I shall point out to him that by his present course he is forcing us to become part thereof.

In case Yuan Shih Kai returns to power as seems probable the Group will in all likelihood secure the leadership in Manchuria. Events may force the situation however and Liang may bring my colleagues in before Yuan and Tang again hold the reins.

I therefore beg to recommend that a copy of the Tang Memorandum - the original is at present in the office of J.S. Morgan and Co., and copies on file in New York - be filed with the Department of State, as a first claim on financing the Manchurian Bank, in case we do not secure the Preliminary Agreement regarding which I am negotiating at present. If necessary we can then stand on this, and if obliged to admit the other Banks, should be able in doing so to make conditions regarding future cooperation.

As already stated I still hope that the Group may be able to act independently. In case we are forced by China's own action to admit the other Groups, it may be well for you to consider the desirability of entering with them into a definite and binding arrangement regarding all future financing in China.

a combination which would at least prevent China from continuing her present tactics of playing one Group against the others. Such a combination would scarcely be in accordance with American past policy in China, but it would force this Government into a more reasonable attitude and might result in the inauguration of a definite financial policy.

Yours truly,

Copy to J. S. Morgan & Co.
Princesse—

Henry Prather dined out this evening. I thought that I was to be alone and entered the dining room. William and James standing by and incense burning in both the library and the hall way in your presence and in mine. There were two chairs and when I sat down, I was there opposite smiling across a clump of white chrysanthemums that reposed in the lama incense burner that you know of old. It was very nice of you to come to dine—

Thank you for your letter, said I. It came at a very opportune time, for the world in general has been pretty blank—blank because you had gone—blank because I could not go—blank because this spineless Government has been delaying and vacillating and chilly shallowing about, these many days.

You seemed very quiet, so I had to make conversation—not to make it, but to do it all myself, and you were so terribly non-committal about it all, that I must remind you of what I said—just running along, you know, because I was so pleased to see you again.

Two letters on their own hooks? Salted? I think they were, if I had had my way—to draw you from your silent perch—a great effort, for I am no shark, and you are a shinier—I be-whale my fate but to no pairpoise, for I can no longer bass-ink in your shadows.

That, the autocrat of the breakfast table, are you sure you won't have cream on the baked apples? calls "verboidee"—yet they say fish is a brain food. However I never before heard of streets spellbinding. Thank you for the word. I wonder what Mr. Bryan thought when he visited Canton, and do you think that T.R. could reform it? I don't know.

Where would you go if you owned an airship, and why should the Jews own America?

That was part of the conversation. It was really very foolish—but you see I was so glad to have you at dinner that you can hardly blame me a great deal—even you, and what do you think I said to William?

Incidentally I sent you a telegram to Hongkong on December 6th, telling you of Mr. Calhoun's appointment as Minister, and saying that we should meet you in the springtime. It was a foolish telegram too, in spots, so that I rather hoped for an answer—just by way of being a cheering word as you started southwinds again. None came. Perhaps it did not catch you, I thought. But the notification of non-delivery generally comes within a day or so, and none arrived. I was very unhappy. Yesterday came word from the office that my message had not been delivered and that the Hongkong Hotel knew of no such person. Then I thought that you must have stopped at the Peak instead and begun to worry about my letters. So I wired you at Singapore with directions to follow, for I did not have your Batavia address.

Your letter today therefore relieved me a great deal—for I didn't fancy my other letters straying. I've registered most so to be sure to know of their arrival.

Things are really not going at all well. There's been a terrible row in the Palace.
The no. 1 successor of the late Emperor Tung Chih—predecessor of Kuang Hsu—wants honours as an Empress Dowager, and there are other bereaved ladies in the Palace who wish for further honors— to be called "Emerald Eyes" I suppose, instead of "Sang de Bouff"—or something of the sort. These ladies when they reached the Eastern Toehill refused to return, so moved were they at the sight of their dead spouse's resting place—unless they had the new titles. They came back the other day, over a yellow road, dear over things, for they refused to proceed as the ordinary dust of commerce.

Duke Tsai Tse was sent out to fetch 'em. He is the President of the Board of Finance. Imagine Mr. McVeagh being sent to Canton once to fetch Mrs. McKinley back to Washington in order that we might sign a reciprocity treaty with Germany?

The situation reminds me of Korea.

We got no farther on. The Chinese are afraid to move one way or another apparently, and the Hunan loan is as far from settlement as ever—for now the French whom we always thought as meek as could be, are saying that they must have as much as the Germans or ourselves as to the bigger Mancharian game—another impasse—and it is all very disheartening, as I've already told you.
Today just after sunset I went on the Wall alone. I have not been there since we were there together—and I doffed my hat to you, in the centre of the gate-towers then went on, to turn the corner. There over my right shoulder was the silver crescent of the new moon! That is the third time that we've seen it together—for you were surely there this afternoon—weren't you? Of course you were, or how could you have come to dinner?

Your letter was splendid Princesse—Princesse with the Peacock Eyes! It was more cheering than anything I've had for a long time—and your quips about the boys you couldn't Dodge, I loved. I fear me that you led them a sorry dance.

Good morrow—Princesse.

U.S.

Not-a-bean. A letter from Eliza Swift day before yesterday—This N.C. is written on the morning of the 16th, a month since you left. She wished me to tell you if you were still here, how much she missed you, and that New York was not the same without you. She was much broken up by her Father's death. I am writing with my Diary pen. Isn't it small! You see the pages are quite diminutive and I am obliged to use a small pen and write fine—not "ly". It's a fine clear morning—Come and ride into Borderland with me. If you can't get away today—in the spring.

Original in private hands.

The Willard Straight Papers at Cornell University
Messrs. J. P. Morgan & Co.,
For the American Group,
23 Wall Street,
New York City.

Gentlemen:—

Supplementing my Letter No. 40 of December 13th. On Wednesday the 15th., instant Mr. Fletcher, the American Chargé d'Affaires informed me that he was about to lay before the Foreign Office a project contemplating the internationalisation of Manchurian Railways under Chinese control, and under the financial leadership of American and British interests. The American Ambassador to Japan was also to broach this matter. Mr. Fletcher added that the Department of State in discussing this question with Great Britain had taken for granted the issuance of the Imperial Edict ratifying the Chinchon-Aigun Railway Agreement signed on October 2nd., last. Mr. Fletcher unable to secure verification for the reported issuance of the Edict so advised the State Department, and I have requested Mr. Backhouse who has throughout dealt with the Grand Councillor Müh Hau, to urge upon Hima Excellency the need of immediately substantiating his repeated assurances by giving official notification either to us or to the American Chargé d'Affaires.

It now seems that in addition to laying this internationalisation scheme before the Foreign Office the American Chargé d'Affaires will, in cooperation with the British Minister, urge China to admit Japanese participation in the Chinchon-Aigun Railway.

On the morning of the 16th., a messenger bearing letters from the Commissioner for Foreign Affairs at Mukden and stating that he came direct from the Vicerey of Manchuria called upon me. This official is an old acquaintance. He is more clever than honest, but has for some time been intimately connected with the Manchurian Administration and I have no reason to doubt that he represents the Vicerey.

He stated that the Three Boards, Foreign Affairs, Finance, and Communications, had memorialised against the Chinchon-Aigun Railway; the former through fear of Japan, the second through a fear that the road would not pay, the latter because afraid to oppose the other two. The memorial referred to had suggested in a general way that funds should be borrowed for Manchurian development. No particular reference had been made to our banking scheme. My informant added
added that the Viceroy had despatched several officials, including himself, to Peking to try to persuade the Board of Finance to reconsider their action; that the Viceroy was determined to build the line, and that the Board of Finance had already engaged to approve the plan. The Foreign Office he said had promised to take the question up again and he asked me to have Mr. Fletcher make strong representations on behalf of the Railway. The messenger said further that the Viceroy would not discuss the Bank project until the railway question was settled. This information was confirmed by a telegram from our consular representative at Mukden stating that in reply to the letter I had forwarded the draft preliminary agreement (enlosed in my L. No. 36) the Viceroy had asked him to state that he would not negotiate regarding the Manchurian Bank for the present.

From Chin Tantoai, the messenger, I learned that the Hongkong and Shanghai Bank, the D. A. Bank, and the French Bank had all had representatives in Mukden during the past month endeavouring to make loans to the Government. The Viceroy he said had refused to see them. From another source I learned during the day that it was believed that Hsi Shih Opang, when Viceroy of Manchuria, he is now President of the Board of Communications-had committed himself with the Hongkong and Shanghai Bank. This was, if true, quite

true, doubtless in connection with the loan for £1,100,000 floated in October or November 1908. (See my letter of December 15th, 1908, to Mr. Schiff) This engagement then, if it exists, was concluded subsequent to the Tang Memorandum of August 12th, and in case of conflict the latter should hold.

Mr. Backhouse attempted to see the Grand Councillor last night but failed. His Excellency's secretary, however, again assured Backhouse that the Edict had been issued approving the Chinchow-Aigun Railway, and that the three Boards in their memorial had also approved the line and recommended that the funds for the Manchurian Bank be borrowed from the American Group. Mr. Backhouse has been shown the alleged memorial. He refuses to believe that the Grand Councillor and his secretary have deceived him.

Last night moreover, he was informed that Tang Shao Yi had accepted the post of High Commissioner to negotiate for the Bank and railway projects.

The only explanation of these conflicting stories that suggests itself is that the Viceroy wishes to put the railway scheme through independently of the Bank and hopes to persuade us to press the former despite the assurances that we should be protected in the larger scheme. Once the Railway plan has been sanctioned he may attempt, and in this he would possibly be assisted by Liang Tung Yen, to negotiate
negotiate the Bank loan with my colleague, thus avoiding the creation of what he may regard as a dangerously strong American interest in Manchuria.

This situation, complex enough in itself, has been made the more difficult by the reluctance of the Chinese officials to talk frankly either to Fletcher or myself. They have been extremely officious during the past two months for the authorities were apparently startled by the quick conclusion of our preliminary agreement, and we have neither of us had access therefore to our customary source of information.

I telegraphed you yesterday regarding the action contemplated by the American Chargé d'Affaires and the British Minister. I believe that the most important step now is to secure acknowledgment of, or the issuance of, the Edict, sanctioning the Chinlou-Aigun Railway. This done China should be consulted, if possible, to the internationalisation scheme. In informal conversations with Mr. Fletcher the President of the Foreign Office has already approved the plan. Our position once established here the matter could be broached in Tokyo. Were it done before Japan might threaten China and frighten her into withholding her consent.

I feel furthermore that Japan's acquiescence in the internationalisation plan should be made the price of her participation in the Chinlou-Aigun Railway. If the American and British Governments request that China admit Japan before the Japanese Government has been so committed I fear that China will doubt our sincerity in supporting her sovereignty in Manchuria. To suggest Japanese participation, moreover, is doubly dangerous for unless Japan has agreed to merge her railway in the Manchurian Chinese system, Russia would be apt to protest against the Chinlou-Aigun line, and refuse to cooperate in the larger scheme.

It is quite probable that these various contingencies have already been dealt with by you. In the absence of information to that effect however, I have taken the liberty to express my views.

Yours truly,

[Signature]

Copy to J. S. Morgan & Co.

The Willard Straight Papers at Cornell University
December 19th, 1909.

Dear Discutan:-

Many thanks for your letter. You deserve a medal for the promptness of your reply. I have fallen from grace a little I fear. I have no excuse save that I have had very little to do for the past month and when in that condition I usually do nothing.

Miss Whitney and the Charon who were here for two weeks brought news of yourself and Mrs. Jay and Mrs. Harrison had some very good snapshots of you both. From all accounts you are most charmingly fulfilling your diplomatic duties and carrying on the best traditions of the late great.

Everything with us is very slow. The Chinese are holding up on the Manchurian matter, and I think largely to interference actual or threatened from the outside. We have assurances from the best possible authority that the Edict approving our preliminary agreement signed on October 2nd, last has been approved. Everything went very satisfactorily up to the time we made this first step, but since then owing to political intrigue and troubles of various sorts, together with the activity already mentioned, we have practically been kept at a standstill.

As far as my principles are concerned they have, I am sure, no objection to Japanese participation in the road. Providing China will consent thereto and providing such participation is asked for and extended on the grounds of commercial expediency, in order to cooperate with the South Manchurian railway wherever possible, and not as a recognition of Japan's political right to dictate regarding railway development in Manchuria and Korea. I notice in some Japanese papers that there is a feeling that Japan should have been consulted regarding this Chihon-Tsitsihar railway. As far as I can see from the documents in my possession Japan could expect no such thing. To do so is an assumption, by her of a paramountcy in Manchuria which no power consented to the "open door" can recognize. Her interference with the Heimintun-Fukumen road, even when fortified by the secret protocol of 1908, was in face of China's explanation of that Article III, bad enough.

The claim that she could veto the Chihon-Tsitsihar road would be preposterous.

In the meantime we are working steadily along and hope that before long we may have something more definite on which to act. In fact we have reason to believe that we shall receive formal notification of the issuance of the Edict in the near future.

The Yangtse railway loan is held up by the jealousy between the European bankers. The French and English on the one side and the Germans on the other. While these rival folk bluster among themselves the Chinese have organized companies to construct the lines and are trying to raise the necessary funds. They stir up a good deal of hot air but I have little faith in their ability to collect a more substantial crop.

Fletcher and myself are still running a menace but I shall shortly be in my own house, and he hopes that Calhoun will profit by the unfortunate Mr. Crane's example and leave at once for his post. He wants to get away as soon as he can. No news as to his next post however. It should be a good one as he has done splendidly here during his period in charge. My place is a renovated Chinese compound and promises to be very attractive. I hope that yourself and Mrs. Jay may take a run over here one of these days and stop with me. I shall have plenty of room for you and it would give me the very greatest pleasure to have you both here.

Bill Phillips sees by the papers that he is called for his new billet. Jimmy Curtis has been made Assistant Secretary of the Treasury. Bill so Fletcher tells me is a-lan reported engaged. I didn't see the notice and Fletcher didn't remember the lady's name. Departmental gossip I have none. My wall of information has dried, and my face is full of holes.

A Merry Christmas to you. I am still thinking of drawing one of these days but have done nothing as yet. It's a bad combination. High Finance and the Artistic Instinct. Never get 'em both together.

Yours,
Princess--

Why were you not here to go driving today? You should have been--to take the invalid out for air. Playing hockey yesterday very hard--for it was a match game--I stretched tendons in my legs in an uncustomed way, and consequently went out of business. It's better today but I can walk only with difficulty and so had to forego the ride by the river that I had intended to take in memoriam--and instead took Mrs. Doggy for a drive. She's a dear good soul but she bores me to extinction. She's too nice--there's no kick in her apparently. Not that I regard that as an essential, but at least some fire is, and the lady has nary spark. Doggy has been most considerate however, and sent her hospital assistants over to give me rub-downs. It quite reminded me of old football days.

[Drawing]

Your telegram came from some unpronounceable and unspellable place.

Thank you. I am glad that your letter did not come in time to prevent my wire for yours cheered me up a lot. It was nice of you to answer "Borderland". Is it not a good code word? And now too, I shall know that there's a letter coming up from Singapore which should arrive just about as a Christmas gift. There could be none more welcome.

A batch of "Heralds" today--and much reassuring news. Jimmy Curtis, whom you doubtless know well, if not you'll remember him as George Hillburn's companion funny man at the Morgan-Swift's house party--a bow-led and obese person--has been made assistant Secretary of the Treasury. He's extremely clever and unless I am mistaken, will before many years be high in the councils of the Republican party.

"Bobby" Grant is engaged to Miss Priscilla Stockpole. I take a certain vicarious interest as he, like Gaspar Bason, nearly came with me once as Secretary.

Bill Phillips is also reported engaged. Rather saw it, but can't remember who to.

But best of all--Mr. O.M. Kahn and Mr. Paul Warburg--both of K. & O. & Mr Steele of J.P.M.--are the chief promoters in a new idea called a Neurological Institute for the treatment of nerves. Wall Street is apparently going to try to corner some of
The letter I just read through and it makes me weary—but its so much conversation that would have been talked. The mere mechanical effort of writing seems to cause mental atrophy—and my penmanship is such a wretched thing that I but rarely re-read or look over what I write. The feeling of impotence and incompleteness is always so overpowering.

Today however, I feel exceptionally conversational and friendly. I shouldn't insist on talking all the time—not at all—but I should extremely like to have a lantern party—following a quiet dinner—a dinner preceded by a rambling cozy hour after tea. There have been many things running through my head to tell you—and to ask you about. Whether you thought the curtains and the paper and the rugs would match—and whether the plain stuff for the upholstery would not make the whole room too severe. Then too, there is a suggestion—some one of you all would take in Liang Tung Yen and the Viceroy of Manchuria and a few others I got off. In my present temper I'd prefer giving 'em the electric chair—but though a dead Chinaman, like an Indian, may be a good one—he ain't much use to them as want signed documents.

Christmas approaches apace. We hear gurglings about the place. Father and I had intended to dine alone— and drink to you, twix Java and Singapore—but the Harrisons in the kindness of their hearts have asked us in and after one or two ineffectual efforts to slide step, we capitulated and shall hear Dopy and Mrs. Dopy purr—and Mrs. Remond shunt and bugger Jack squeak. All of which is ungrateful and horrid. But oh Lord—if one can't be with the ones one would like to be with, why does convenience decree that one should be bored. It's so much better to be alone—then at least one can choose one's companions—companions in thought—living memories at any rate—a poor substitute—but infinitely better than a maschin company of perfectly nice people.

The flat has gone further however. New Year's Eve shall be passed alone, and the year 1910 Princesse shall be ushered in with a toast to your very good health and to a Bon Fortune for you all.

The incense is burning. Good night, Princesse.

W.S.

If you just look at your itinerary, and Calcutta seems to be the best place to which to address this serial. But you'll probably not get it until sometime in February—a very long time indeed—and it makes me feel that this letter writing business is a rather futile and ineffective thing after all. This letter I just read through and it gives me hope. When the next few months are over and my already threadbare patience worn quite to shreds, when I see spots before the eyes and hear queer noises and whisperings at night—I shall have a haven of refuge.

Then too, there is a "suggestion chamber"—and I have written Mr. Kahn asking him if he would take in Liang Tung Yen and the Viceroy of Manchuria and a few others I got off. In my present temper I'd prefer giving 'em the electric chair—but though a dead Chinaman, like an Indian, may be a good one—he ain't much use to them as want signed documents.

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W.S.

In February I shall write you how things are going—so that by the time you reach Columbo and Ceylon you will be prepared to have a Peking spring—instead of going
to a Tourist ridden place like Cairo. Why not? You are your own masters and not serving any great Octopi, nor trammelled by the vacillation and indecision of a host of weak kneed officials—nor bound to try to run countermines to meet the intrigues of Japanese and Russians—the Teens and the Gauls.] T'would be a fine thing—worthy of the "Trail". Come back!

There's much more that I could say—but you're in a hot climate now—and perhaps this is enough. It isn't for me—but you deserve some consideration.

G.S.
December 19th, 1909.

Dear Mr. Secretary:

Enclosed various documents concerning the rugs shipped you some time since via the --editii. I am sorry that they should have been delayed so long and have run up many blank marks on my slate in curbing the reluctant manufacturer. I trust that you will find the same to your satisfaction when one do arrive. As you will see you owe me $225.00 at the rate of time when the rugs were sent. Please pay this to my credit with the International Banking Corporation, 60 Wall Street, New York City.

Everything goes slowly here. The Chinese are apparently afraid of Japan as regards the Manchurian Railway and have thus far failed to do anything. Liang's own of the Foreign Office informs Fletcher that our editor has not been issued while the old Grand Councillor Shih Dung, a survivor of France's man, Backhouse, who has seen the old man frequently, has himself sealed the document. Backhouse told him that Liang had denied the insinuation to Fletcher and Shih said that Liang without instructions could have said nothing else. I rely implicitly on Backhouse whose Chinese information has for years been the best in Beijing, and Backhouse who is associated with French, of Rallison, will not believe that the Grand Secretary has lied to him. In the meantime we have the situation complicated by the messenger sent to me by the Viceroy who also states that there has been no editor. Personally I am inclined to take the word of the Grand Secretary as against the rest, as I have less reason to lie. Liang and the Viceroy may well be playing a game to subordinate the railway project to the larger bank scheme, to introduce the Hongkong and Shanghai Bank, the German Bank, and the French, into this broader plan, and then by playng us one off against the other avoid giving us the control which we, sitting alone, could probably exact. The whole situation is complicated by Mekot intrigues, jealousy among the different Government Departments concerned, and the fears which are very real to these higher officials, of Japan and Russia on the one side and a growing public sentiment, as noisy as it is ignorant, on the other.

Yours cordially,

The Honorable
Huntington Wilson,
esto. esto. esto,
Assistant Secretary of State,
Washington.

I must confess that I am pretty well disgusted with the entire position and have made up my mind not to go home. Frightened, apparently, by the promptitude with which we put through our preliminary agreement for the Manchurian line, the mandarins have been avoiding both Fletcher and myself, for fear I suppose of giving the Japanese an opportunity to say that they had been compromised. The Chinese I fear are more inclined to kiss the hand that beats them than to frankly grasp that which is extended in all friendliness and good will.

We are awaiting Judge Calhoun's arrival with great interest. Fletcher is keen to get away as soon as he can consistently with the heat interests of the situation. He has been very hard worked since Mr. Rockhill left.

Harrison having been ill most of the time. It was this that forced him to rely so completely on the assistance of Paulson. His experience has cost him about $4,000.00 in gold and has not increased his desire to remain in China longer than necessary.

The group will shortly be installed in a very nice Chinese house. Once settled I suppose I shall be ordered home or something of the sort. Such is usually my fate. However, excitement is always welcome.

With kindest regards, and best wishes to
Mrs. Wilson and yourself, believe me,
Sincerely yours,

The Willard Straight Papers at Cornell University
December 20th, 1909.

H. P. Davison, Esquire,
23 Wall Street,
Peking, China.

Dear Davison:

Very many thanks for your letter of Nov. 6th. It is of the greatest possible assistance, and comfort as well, to have such letters from you elaborating on the more formal and impersonal communications from the Group.

I wrote Warburg a few days ago and asked him to show the letter to you. It covered one or two points that he brought up in connection with the Manchurian Bank scheme. Since writing him I have thought over his suggestions a good deal. I still feel that we shall have to put up a comparatively large sum as a bait at first. It would not, however, be necessary perhaps to make it more than from five to ten millions gold. We could the organise the Agricultural Bank of Manchuria and Mongolia, with authority to issue obligations up to a certain amount, and secured by the various properties to be developed. I laid this before a very intelligent official yesterday and he agreed that this would be the best scheme. In talking with another man, also down from Mukden to try to push the railway scheme through, he objected to the idea of American control. I have pointed out that only by having the Group intimately associated in the direction of the Bank could they hope to secure added funds abroad. American co-management would bring confidence which Chinese alone could never inspire. They may recognize this but may be unwilling to consent. In that case it would perhaps be possible for the Group to handle a branch of the International Bank at Mukden, lend money for Manchurian development and in return secure a promise that the American institutions should be authorized to issue Manchurian obligations on the foreign markets. I hope that you will think this over.

In an official letter today I am asking for more definite instructions regarding my relations with Menocal. I hope that it will be possible for the Group to settle this matter. I should find it of great service to have the Bank more or less under my orders as regards anything save mere banking routine. The chances are that Menocal will secure a number of Chinese accounts and will thus get in touch daily with men whom I only see formally or when they come in to dine. I should like to have the additional hold on them. It is true of course that the I. B. C. can undertake nothing big without us and must therefore ultimately refer. At the same time it would be pleasanter to have these things understood for I do not like to ask too much of Menocal when I know that he feels bound to defer to me, and is at the same time uncertain as to how far he should go on his own. He has been most obliging throughout.
but we should both feel easier in this small community if we
knew where we stood. The fact that he could also carry on for
me in case I should find it desirable to get away for a time
would be another advantage of an understanding.

I am sorry that you have had difficulties with the
departmental methods and quite appreciate your annoyance. A
letter to the Secretary such as you suggest might clear the
situation.

I have been much astonished, in view of your letter,
that the Department should have instructed Fletcher to take up
the Internationalization scheme before we had received definite
assurance that the Edict approving the Chin-Ai line had been
issued. The idea of requesting the Chinese to permit Japanese
participation has also frightened me. It might be fatal at
this time. I am still at a loss to know whether the Edict has
or has not been issued. I am inclined to the former view, for
the Grand Councilor again, and in the face of Backhouse's state-
ment that the President of the Foreign Office had officially
denied the issue to Fletcher, assured Backhouse that it had
been issued and that he himself had sealed the document.
It is an extraordinary situation. I believe that the Foreign
Office under Japanese pressure has attempted to confuse the
issue by recommending that the railway be embodied in the Bank
scheme or some general and indefinite project. In response to
the pleading of the Viceroy's emissaries Ha Tung, Grand Council-
or

or and Senior President of the F. O. stated that he feared that
the Americans might not be in earnest. The old story of our
having sold out our interest in the Hankow-Canton line to the
Belgians is brought up against us. Liang Tung Yen, Junior
President, has asked French whether we were really in earnest,
and it seems that the Japanese both here, in Tokyo, and in
London, have been spreading reports that the Americans had no
intention of doing anything in China that our whole financial
campaign was a political bluff. I have not thought it worth
while writing you to contradict this rumour. The Chinese have
apparently heard it through their representatives abroad and
being an intensely suspicious people, the argument has carried
considerable weight, particularly when well assisted by Japanese
intrigue. French and myself have always replied that the
Chinese had practically invited the Americans to come out, that
we had shown our good intentions by going ahead as fast as pos-
able and that the way to test our sincerity was to issue the
Edict at once. Up to date they have fudged it. The Viceroy's
representative this morning told me that strong language from
Fletcher would bring the Foreign Office around. He will probably
use it tomorrow and I hope to persuade him to defer his Japanese
representations until later. To take this subject up now would
convince the Chinese that we were playing them false.

I am anxiously awaiting news of the stenographer.
In your letter you express the hope that mine does not find Chinese names too difficult. My letters have all been typed by my own fair hands which explains their bad workmanship. Stenographers do not grow in this climate; they must be imported.

My house is coming along very nicely. It will be a credit to the Group. I hope that you will not think that I have been extravagant but I felt the necessity of having a good place and not merely patching up the tumbledown walls, and leaving the old paper windows in their places. It does begin, as you intimate, to suggest the idea of an American bride, Fussle, find the Lady. Like stenographers they are not indigenous and I fear that I shall have to wait for that business trip to New York or at least to Europe before opening tenders. Perhaps you might be willing to handle the American end for me?

With kindest regards to Mrs. Davison and yourself believe me,

Sincerely yours,

[Signature]

December 22nd, 1909.

Dear Davison:

Enclosed a copy of a letter today addressed to Grenfell. It may interest you. I also send one or two clippings showing the trend of thought out here. There's generally more trend than thought.

The Viceroy's messenger came in this morning to tell me that everything was going swimmingly and that the Boards of Finance and Foreign Affairs had finally been brought around, that the Viceroy had sent in a cash memorial and that he hoped we would have the Editor in two weeks. I told him I was from the Chinese province known as Hoo-Zoo-Hee. It begins to look as if the old Grand Councillor had been right after all, which may mean that the Viceroy has been wondering what he was going to get out of the show and had sent this fellow down, to frighten me at first, then try to show that his influence had put the thing through, and then put out his itching palm. This the Viceroy would shake for cocoanuts. If that is the game I will find that it's the Closed Season.

We may have this as a Christmas present, perhaps a New Year's gift, but I am a little afraid of the first of April myself.

Sincerely yours,

[Signature]

Peking, China.

B. F. Davison, Esquire,

23 Wall Street,

New York City.

The Willard Straight Papers at Cornell University
December 22nd., 1909.

File No. 1/80.

Dear Grenfell:—

Many thanks for your letter of the 3rd. and 4th. the former enclosing another memorandum just extracted—which is a good word—from the H. & S. Bank.

I read Jamieson's Memorandum with much interest. His handling of materials and purchasing agent's commissions struck me as particularly naive. It is interesting also to know that his English colleagues—Addis, I presume—now state their disapproval. I wonder whether they would have done so had his "try-out" carried. It seems to me that you are dealing with a pretty parcel of crooks. Long residence in China has not apparently improved the moral sensibilities of the gentlemen with whom you have to negotiate. Just think of the future in store for me, not only in this world but the next.

Referring to your letter of November 8th. in which you quote Addis as saying that the British Government had not interfered in anything, the following received in confidence may interest you. "Foreign Office to China Association, November 3rd., 1909."

"They (H. M.'s Government) also agree that loans to China without adequate safeguards to control expenditure are to be deprecated, and would point out that it is precisely on account of the attitude of His Majesty's Government on this point that the negotiations in the case of the railway loans now under discussion have been so protracted."

Yours sincerely,

Copy to H. F. Lovison.
This is a chapter of *XiII* 'a - written on one- meant to be received about one and for one- and hastily dictated that it may "skiddoo" to catch you in time. If anything could inspire me to break into bad art or worse verse, it would be your birthday-and many things have come to me. I have tried very hard to teach the strings-lightly-but I bore you-yet in all seriousness. There have been answering notes-long vibrating ones- but not the desired harmony. If I could pour all I would wish to express into a picture it would be well-- but again I feel that my skill is far too shallow a thing-- A song,yes- but you have your song- it was my first, has tinkled through many years and found its haven in Borderland. It is yours already but may I give it to you- dedicate it afresh on your birthday. You gave the words- and brought the music too- for it is not quite the old song, which was hung to words-which I wrote too- but which somehow, and that is a very strange thing- never quite belonged to them. I've often wondered about it. I could point you a pretty picture-and draw ones- and have an accompaniment written if you'd like- but I'd prefer to carry it for you- if I may, and to have you carry it too, if you will, without lines and paper. If you'll carry it and hum it now and then, you'll know that the echoes carry far away across the world, and meet midway- other echoes that softly bear to you the whispers of the same melody.

Will you take it then?

Your Christmas books came today. A thousand thanks. The Japanese photographs apparently were ungettable--for a bully set of reproductions of the Ring and other collections were sent I presume instead. I've thought you a very fine person always. You are splendid I Mrs Ker told me that you had sent another box north. I can't tell you how much I like you for it all.

Because he was ridden with you, I can't sell "Willie". I thought of letting him go, but when it came to the point, couldn't do it. When I go he shall be given to the kindest person I know. That really seems an item that's neither here nor there, but I don't know. Perhaps not.

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The Elder Brother has his mission and I am delighted. Chile is a most important post.

This is a lame thing Princesse- but the more I have that I'd like to say, the more I am tied and knotted by words- but if my wishes and prayers count at all- and I hope they will this time- this will be one of the happiest years of your life.

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Your letter was ready to mail in the morning when a wire came in, which Prather and I have just unmoded. His appointment is confirmed by the Department. A man named Einstein-now First at Constantinople-succeeds him here, and he is to go to his new post via Washington as soon as his successor, who comes out with the new Minister, arrives. That means that he may just miss you in Europe is he has to hurry to his mission- or that he may meet and play with you if he can take his time.

Pleased is no name for it. I'd as lief almost one would never quite I suppose have all the best in the world happen to him, as to myself- and this is fine. Particularly since it comes just when he's been a big down on his luck owing to Faulkner's embezzlement. It seems so often true that the darkest days are followed by the best. I am mentally kicking up and shaking my hat in the air- and wish that you all were here to celebrate with us tonight. That would cap it all. It brings back the song of the service into my own heart, for that after all is what I do love best - the game- not for oneself but for the bigger stake, Prather has stuck to it consistently and its justified now, as such things generally are- truth to an ideal and faith to a purpose. Only for him, say I, and I know you'll
be saying it too. It's so good that you were here when he was and now know him.

It's good to think that you should have been over one house party, and that your visit will ever be the happiest memory of these months that I have spent with him, which are the best I have known for many a long year. This addendum is for you all--the news rather. The letter's yours.

Come and cheer with me.

3rd and last before the bell rings--

A note just received from Kelly Walsh states that Ogawa's pictures are being forwarded by Captain Reeves who should have arrived last night. It's really too much. The photographs are very rare and hard to find, which makes them very valuable, but they shall be dear to me because of the afternoon of the 8th of November.

Good morning--Princess. Your card from Hong Kong I shall open tomorrow. I couldn't resist peeking in, just a little peek, you know--for the envelope was not really closed--but I didn't take the card out. Honest I didn't.

W.T.
December 24th, 1909.

Dear Blando-

Your letter apeced to the interesting communication from the F. O. duly received, with thanks. I’ve shown it to friends, and have quoted a part, without naming the source and stating that it was confidential, to Grenfell in London.

Here all is as usual stagnation. There are several birds down from Manchuria trying to draw fire from the Ty" Woe Fee but thus far without visible effect. I am fed up and will wait about two months longer I think and then beat it and see if that will have any effect. If it doesn’t, Execut American Group I should say, unless they’ve more patience than most of their fellow New Yorkers.

The books arrived duly today, a little late. Many thanks for signing the same; when you have time you might get me another copy, and give me a little verse for myself sending at the same time a similarly dedicate volume of Verse and Verse. I am sending the present one to America, hoping that the delay will have forced all our friends to purchase anyway. That is the spirit of high finance.

Father has his mission. It’s a damned good one too and as far as I can see he’s the only one that’s made anything out of the Fabruan Green. He’s been somewhat down on the springs owing to the defalcations of Faulkner his trusted lieutenant and needed this little boost-up.

What about your Russian friends and the sausages? Have the not ploed their interests this time?

Late Christmas Wreestings to Mrs. Blano, and your,sel, and best wishes for the New Year. May it bring you more profit if less fun.

Yours,

[Signature]

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**CHICHOU-TAISHAN PROJECT**

This scheme was broached in 1907 by Tang Shao-ji in connection with the scheme for a Manchurian Bank to be financed by the American syndicate and to act as fiscal agent of the Manchurian administration in assisting the development of Manchuria by financing railway, mining, industrial and agricultural enterprises and undertaking currency reform. Nothing definite was done however but the railway project was brought up again in September of the present year by Lord Sfrench, the representative in China of Pauling and Company, who suggested that America co-operate with this firm for the construction of the line, the idea being that the American syndicate should be interested financially in the railway but that the actual construction should be undertaken by Pauling and Company as contractors, the design of this arrangement having been to interest both the British and American Governments and to thus guarantee the Chinese against any suspicions of Japanese or Russian interest. Paulings and Company had previously a contract with the Manchurian Administration to construct a railway from Haimintun to Fukumen to be ultimately extended to Taiteihar but this scheme was blocked by Japan in a manner which is very well known. In building the present road, which is considerably further west than the Haimintun-Fukumen Road and is moreover largely in Mongolia and hence outside of any possible sphere of influence in which the Japanese may make claim to, the Chinese Government feels that it removes the railway from the field of politics but whether the Japanese agree with them on this point has not yet been decided. The line will be approximately 450 miles from Chinhou to Taiteihar and 250 from Taiteihar to Aigun or a total length of 700 miles. The
amount of the loan to construct it would probably be in all $25,000,000 to $30,000,000.

The preliminary agreement, copy of which is enclosed, was signed on October 2nd. Since then very little has been done on this project, the disposition being to await the issuance of the Imperial Edict before going ahead with it definitely. Mr. W. D. Straight, who is the representative of the American Group in Peking, has been instructed to draft a skeleton agreement embodying the provisions desired by China for the Manchurian Railway loan and also to suggest an agreement covering the promotion of the company which is to operate the railway after its construction. The details of the agreement between the American bankers and Pauling and Company are still the subject of negotiations in London. We have been assured that the Imperial Edict authorizing the construction of the road has been issued secretly but so far it has not been made public; our last advice in this matter were in a cablegram from Mr. Straight, dated December 16th, stating that the situation was now very complicated, the Viceroy of Manchuria stating that the Imperial Edict had not been issued while one of the Grand Councilors claims to Mr. Straight that it has been issued but stated that the Chinese Government now wished to combine the railway project and the Manchurian Bank project; at the same time the Viceroy of Manchuria refused to discuss the Manchurian Bank at all. It is possible that the outcome of the whole matter will be that the road be constructed under an international loan to which would be admitted all the nations subscribing to the "open door" doctrine.

December 27th, 1909.
Manchurian Business.

Peking, China.
December 31st, 1909.

Letter No. 47.
File No. 2/59/47.
3/14/47.

Messrs. J. P. Morgan & Co.,
For the American Group,
23 Wall Street,
New York City.

Gentlemen:

Supplementing my L. No. 41 of the 17th. instant I have to report that on the 29th. I called upon the President of the Board of Finance who has been reported strongly to oppose the construction of the Chinchou-Aigun Railway. In response to my inquiries His Excellency stated that he approved the railway in principal but before sanctioning the enterprise desired assurances from the Viceroy that, in case the line did not pay, he had Manchurian revenues sufficient to meet the service of the loan. Lack of exact information on this point has been responsible for his opposition. He said he had now learned that the Salt tax could probably be devoted to this purpose and if this were true he would withdraw his objections. He further confirmed the news received from the Viceroy's messenger that the Viceroy had sent in a second and very strong memorial which had been referred to the Three Boards with instructions that they should report immediately. Developments may be expected therefore within the next ten days or two weeks.

In the meantime as already anticipated, Mr. Fletcher has laid the comprehensive internationalisation scheme before the Chinese Government and received its approval in principle. This project has also been laid before the French and Russian, as well as the Japanese, and I presume the German, Governments. The French Minister here admires the conception but apprehends great difficulty in execution. The Russian Minister seems favorably impressed with the idea but sceptical regarding any bona fide acquiescence therein by Japan. I have been unable to ascertain the attitude of the Japanese representative.

Mr. Fletcher did not at the outset suggest to China that Japanese participation be admitted. He submitted the larger scheme alone. In pursuance of the Department's instructions, however, he today called upon the Japanese Minister with his British colleague. Mr. Ijin was informed that the American Government was prepared to urge upon China the admission of Japan, "or any other power pledged to the "open door". He will attempt to handle the situation so that Japan will not further oppose the ratification of the Agreement of October 2nd. To offset any unfortunate impression which our apparent championship of Japan might create in the Chinese mind, he will inform the
the Foreign Office of American readiness to admit Japan, "with China's consent", point out that by so assuring the Japanese Minister he has practically quieted Japanese opposition, and urge China therefore at once to ratify the Preliminary Agreement. In this way Japanese participation, if any, will be granted by the American Group—with China's consent, of course—but not directly by China herself. To have urged China to admit Japan before the issuance of the Edict would have been a grave error. I trust that Mr. Fletcher's present course may be successful.

I am informed on good authority that the Regent is much impressed by the larger scheme.

Yours truly,

[Signature]

Copy to J. S. Morgan & Co.
Priscilla dear,

This is my only letter since the Monday May 20th. Since then you have been in New York - not in Santa Barbara. How I have missed you! The sky has been wonderful. The sky looks blue - the moon goes in the moon goes - the weather says - the weather says - breathing you Valley - all breathing - breathing you Valley - all breathing - breathing you Valley. To have seen you again - to have been with you - to have seen you again - to have been with you - any way something - any way something - any way something - any way something. You have waited for me. You have waited for me. There have been two days beautiful - there have been two days beautiful. You are so dear to me. You are so dear to me.
Shanghai, 1st January, 1910.

Dear Straighto,

Thanks for yours of the 24th. I am sorry, very sorry, that you don't think better of the prospects of the Italsihar agreement. I would give a good deal, not having much to give, to see you and ffrench come out top on that pidgin. It looks as if, thanks to the vagaries of your Govt and the rottenness of ours, the Jap would have his own way in Manchuria for some time to come, and if Russia does come to terms with them (which, having a rotten Govt she may well be induced to do) there's an end of our effective combine. But Chirol writes hopefully and says that the time has come and our Govt must see it, to put a stop to the Jap game and to arrive at a definite understanding re the meaning of the open door. He refers to a leader published on the 8th Dec in re Taft's message, which I have not seen, in which he refers to the danger our Govt runs in risking accomplished facts of an undesirable kind out there. You will, no doubt, have seen it.

I have been wining and dining, shooting and tooting, and have left dull care to the bowwows. All the same you and Prather. By the way, is there any chance of the latter arriving here before we leave for home and is there any reason why he should not travel with us (and help me to walk Moqua) via Siberia early in February?

I am not much on the verse - making at present, being more put to it to compile even prose with the rush and turmoil of this giddy place in mine ears, but I will get you off a copy of THE BOOK and one of Verse &

Worse before I leave for home. And may you soon have descendants to whom to bequeath these precious tomes! By the way, I gave Mrs Macleod another copy, as press copy, to requite her for the omission of all acknowledgement of her two excellent pictures. Arnold knew quite well that he should have given her credit for them, and he must do so if we get out a second edition. If we do that, I hope you will do about forty more small sketches for the text. This would mean practically reprinting, but it would be well worth it, for the thing has too many pages of unrelieved printed matter. And you promised, you know!

When I last enquired, before Xmas, E. & W. had sold about 80 copies here, but they say they will surely get rid of the whole 250 in China, in which case I may yet pay Arnold his bill!

PLEASE buck up and send me the news until we leave for home and tell me all about your pidgin and the prospects of success. And what is going to be the B & G's position win-a-win your folks now that they have chucked Paulings and become sausage-men? And what of Tang Shao-yi? And when will you get your new Minister?

Remember me to the Menocal[surpass Madame, only don't say so] and the Lady Barnett. I wish you would come down here before we go and I'd introduce you to lots of nice flappers. Bring H.P. and come away. Now, fare thee well,

Thine,
Princesses:

A happy New Year to you, and my first word with the pen and ink of commerce. You both dined with us, for the boys-and I think it was William-without my instructions set the table for four instead of two. We were most polite and considerate and very much regretted that Mrs. Bland had been wearied by her long journey and could not join us.

Just after twelve I lit incense for you in your censers and in mine-and burned one little piece that came from the Dalai Lama and which I had guarded for a long time in your skull-bowl. We both of us, I think, kicked 1909 out rather unceremoniously—your fellow. He's been fairly kind but not much a good year after all in many ways. He had a bad start in Washington and I knew from the beginning that he would have hard work living down his birth right. 1910 I welcome gladly. I trust that He will bring you all good fortune and happiness, and that his successors will be even more gracious.

In the early morning and at the beginning of the New Year one is tempted to be remissent-or to anticipate, to wonder what the coming months will bring forth. We have been speculating for hours—the Elder brother and I—but to little purpose—fruit, but it is amusing.

For the best moments of the year that is gone I have to thank you. All I ask of the stranger that has just come to us is that He will so shape events that I may greet you in Europe in the spring.

May the Gods guard you—Princesses—W.R.

Princesses:

Voila-two pictures of the House that you turned into a Castle in the Air.

There's not much been altered save the temporary addition of that large ice jug in the Hallway for pictorial purposes. "Hei-yu-ti-tumghsi-" has since taken it and his exorbitant price away with him;

Enclosure Two—Portion of a review of Mr. Bland's book. What do you think of the advice?

Rare Buddha Rescued!

A strange Goddess with many arms, worshipped by a small and select sect torn from the hands of an unbeliever;

Exciting scenes in the American barracks.

Peking Jan 6th—Mr. W. D. Straight today rescued a rare Buddha about to be shipped to the United States. The intrinsic value of this goddess is not great, but its rarity and the fact that it is worshipped by a small sect make its recovery at the eleventh hour a matter of grave concern, and the successful accomplishment thereof, a source of profound satisfaction.

So much for the runner you desired. Facts follow. A certain Miss Adams—a rather pleasant but not-belonging person—visited Mrs. Barnett. While there one day I saw a Buddha similar to ours. I suspected my curio man, and told him to bring it to me. He tried to get it but his assistant had sold it. I appealed through Miss Adams' compassion to get the Buddha, as I had one like it and wanted a pair. Miss Adams left the next day, but told Mrs. Barnett that she would exchange hers for one of my others (my offer) so I took a nice gold one that used to be in the Dining Room, and the wanderer will be dug out of a packing case in which it was put with other purchases of Miss Adams, and mine substituted. In the meantime the curio man has brought another. So now I have three, hence—one of which of course is yours—which I am keeping for you, if I may. The curio man has also standing orders that he is to bring all such to me. He will probably start a factory on the strength of my very obvious demand. He doesn't know that I was merely trying to keep a precious thing from the hands of an infidel.
I could not bear to think - to know - of anyone else having the Guardian.

Hours - I have found a pair of fine lama butter lamps - You'll doubtless see some in Darjeeling. One for you Princesse, and one for me. We'll soon have a fine collection between us. The other day too, I expended the balance of your fifty on five small flat brass people --- thus - (drawing *) of the 82 Buddha Family Lama species, Central Mongolia.

There were a number of them here and you liked them.

Refuse to Work.

Strange action of a heretofore docile guitar.

His frets too much for him.

Peking, Jan 5th. Much comment has been roused on local musical circles by the strange obstinacy of Mr. W.D. Straight's guitar. Once the readiest of instruments it now refuses to be tuned.

it's frets are of no avail. Nothing will bring the strings into harmony.

Now that's perfectly true. I believe myself that the sensible old thing, having served you, will serve no other. As a matter of fact it told me so the other day, and intimated that if you were to come back it would come out of the suita. My artistic nature was deeply touched by this sentiment from even a highly strung inanimate object. I wondered how a guitar could ever be wooden or hollow. Don't you? At any rate I share the old fellows' feelings.

There should be a letter from you somewhere between here and Chingswantao today. The steamer which it should have caught from Singapore reached Shanghai just too late for the last mail and we haven't had anything from Shanghai for ten days. What I have said about the Chinese Post Office would give a liberal profane education to any beginner in the art of swearing.

You don't know how much I look forward to hearing from you.

The best to you - Princesse. Good morrow - W.D.
The New York Herald

Congratulations! Here seems to be a chance for you with The Bible Society.

We shall certainly insist on his being employed by the Bible Society, but why not give him a boost that he will use his influence to have Mr. W. H. Straight associated with him in his work, for this volume, Mr. Straight adds not a little charm. Why on earth should Mr. Straight be wasting his time conniving and lobbying? He ought to be burning poetry, read Mr. Blind and Mr. Straight together;

The Shanghai Mercury

Just what this has to do with The Bible Society is not clear.
Princess;

Your letter came this morning. I've been waiting for it ever since your telegram from some unspellable Dutch place. Truly nice back from the dance—very giddy affair at the Austrian Legation—to write a word at any rate that will catch the mail leaving Chingwantsao on Sunday—the last one that can reach you at Bombay.

The "Open Country" came too this morning. I've only glanced at it—looking for the parts you had marked. I much prefer to have books that have been marked. I am glad to have one that you have done. Without having read the rest I set the seal of my approval—very valuable of course—on the passages you have selected—particularly:

"The better part of loving is the need to give, not the desire to receive. In a perfect union of hearts and bodies the rivalry is not who shall get, but who shall spend the more". You have asked for a real opinion, and you shall have it—now, written or later spoken—which would be much more satisfactory. You have asked me to explain really, some of my dearest theories, unless I have been mistaken in your haste calling up of your marked passages. I shall have to compress within the limits of a letter an endorsement of many of the premises with a rebuttal of the conclusions—not an easy task, when the writer has some three hundred printed pages to match against your valuation of my own cramped and labored shorthand—for I hate to write with pen and ink, and though long prattles can always express myself more clearly when using the typewriter.

However I shall try. But there's another thing—also, it will be because I do rely on our past, sworn the last morning—that we should have faith—and because I have accepted—you do not know how gratefully—your saying that there could be no lack of understanding between us.

So much for that—

When we had no answer from the telegrams to Singapore—the one about Prether's appointment, which did evoke a response,—and mine with "Bordierland" which I had hoped might bring an answering odde—to tell me that you were well and happy. I was much worried, for I thought of the dangers of those seas, and the perils that you might have met. The congratulations to Henry came as a great relief, for them (there) at least I knew that you were in Singapore sound enough.

Your letter seemed a little depressed. Singapore is a heavy place. I spent three days there once, a long time ago. I hope that you have had better news from your sister and that Mrs Bend is all right. I think of you constantly in the South, and if thought can do anything, you will be safe. I try to make myself in imagination into a large shield, and if perchance I do get a little dazed I would consume considerable satisfaction in thinking that perhaps I might have taken a blow that otherwise would have fallen on you. I should really like to know if the springs weren't just a little slack. You know the "Marvineague" expression—"down on your springs"—don't you? When you wrote were you? I hope that I read wrong and that it was my own mood and not yours that I saw between the lines.

Would you have news? You say that the letter would have been welcome "news or no news", but I shall not dare the test. Bukhara—hopelessly lost, I'm afraid—owing to the foolish attitude of the French who insist on parceling out Chief Engineerships on the Ichang Shengtu section when the Chinese have already started to build the line with their own funds. The provincial opposition is strong but not so much so that it could not be overcome if the Bankers would only reach an agreement within reasonable periods. My own impression is that the British Government wants to break the loan on account of German participation—that England first made her acquiescence conditional upon a surrender which she thought Germany would never make—and that failing to make the Germans bear the cost of wrecking the project she has induced the French to raise insurmountable objections—thus gaining her ends and escaping all blame. I am now years go by, more and more inclined to believe in the perfidy of Downing Street though willing enough to recognise the honesty (and stupidity) of the average Englishman.

In Manchuria however, things go well now. We have a really tremendous project on foot—the one that Mr Fletcher and I were so excited about when you were here, and I hope that things may come to such a pass that I shall be able—or will have to go.
home by Haush. Then I can meet you in Europe as I go to New York and see you again as I come out to China. Perhaps - and it is likely if all goes well- I might be in Europe all summer.

So please keep me well informed of what you intend to do- that I may shape my plans accordingly- for they can assurely be made to fit.

I should be very grateful if when you receive this you would write me "Borderland" - if all is well with you.

Goodnight Princess- and may you be safe and happy.

W.R.

Pu Lam asked about the snapshots that you took of him, and Lin Yu Lin also about his. If you send them north please let me have some of those of yourself in Tropical garb under the summer skies.
January 8th, 1910.

W. D. Straight, Esq., c/o The American Legation, Peking, China.

Dear Sir:

Referring to your letter of November 23rd, addressed to Mr. Davison, we would say that if you regard it as important to purchase or hire horses and carriages or automobile to comport with the dignity of your position, and to serve you in keeping with representatives of other banking groups in Peking, you are authorized to arrange accordingly. It is of course our desire that expenses of this character shall be as reasonable as can be expected by the nature of the case. We are pleased to rely upon your judgment in this regard.

The expenditures made upon your house, and the contract covering the rental, are entirely satisfactory to us.

Very truly yours,
"Open Country" I like. It seems a true tale. There are many parts that I too have marked but I like yours best. It isn't what I thought it would be in summing it through, for I missed Ingram when I did so. I think Senhouse was more in love with the garments of his own weaving that he hung upon her Pagony than with Samhia. That's why she married Ingram. As far as I've seen women generally do. I think she is splendid, winsome, loyal and human. I like some of Senhouse's preaching and agree with it. I've seen women on marriage in the main perhaps-but in the main for the crowd-that is the accepted idea, is the only one. They're not up to anything else. For the few of whom Senhouse considers himself one- the tie must be accepted and I believe that it is holy and sacred. If you look at it aright and not a shackles at all but a golden bond that gives solemnity and sets a seal—not of finality, but beginning. For we are all subject more or less to the sentimental influence of tradition upon the greatest thing in the world.

Senhouse is a Buddhist not a Christian. He talks of individual development, and as I said, agree with some of his ideas—but like Omar Khayyam and Bernard Shaw in the long run they are amusing and interesting theories which make one think, rather than suggestions as to our own conduct.

There's a great deal more that I might say about the book. More that I might say, in fact, than I can write. As a matter of fact it hasn't left me in the humour for writing at all—but of thinking a great deal—which is extremely annoying as I hate to think sometimes. I had to put the "sometimes" in, or I should have stood a self-convicted liar by.

I'll bring the book along and talk to you about it some day. It irritated and annoyed as well as pleased me—perhaps because I have more sympathy for the Jaxons and Springs in this world than I have for the Ingrams and Christians. Samhia and Roxane however, see it the other way. Quite right too. I'm perhaps a little too hard on the red blood. There's more red blood and less abstract discussion with the latter—and the red blood ought to be the more satisfactory of the two at the breakfast table for instance.

But with your Ingrams and your Christians, there's always a tendency to play a woman as you would a game fish, which is an idea that I detest. I'm really quite cross—so I'll write no more. I've already discussed the Blooming book more than I had intended to.

But what's the difference a thousand years hence. Perhaps a good deal, but I for one will not be here to see it. Not at least as Representative of the American Group-perhaps as a Bandarlog in the Trees, though who knows? In which case I shall swing by my tail and chatter and eat peanuts and not care a great deal one way or the other.

Which last is the secret of the fish-playing game.

This shall go tomorrow—Princess to await you in Colombo. By the time you get it I shall hope to have been ordered back to New York and Europe for a conference on Manchurian Railways. You've probably seen today's Reuter with the big scheme outlined. The Russians have their line—the Japanese theirs—and we have an agreement for the road between Shinhofu and Aigun. The Japanese I think will have to come into the internationalisation scheme—perhaps the Russians almost surely will—and with the Russian line and our own we can make the Japanese South Manchurian Railway look like thirty cents max. if they try to compete with us.

So it begins to look as if I might dismiss "Open Country" with you before long after all—and when I do I hope that I shall be in a much better humour. Otherwise I should be terribly dangerous. I should snarl! I know—and might even bite! Very poisonous.

You asked for an honest opinion—You have it—in part—if not the cause.

I must—only hope the effect is not too obvious.

Senhouse is a little like Joffrey.
Bruna, chatine,
Blonde-on l'a sans peine-
Jaime la Lointaine Princesse-

and--Le seul reve interesse
Vivre sans reve qu'est-ce ?
Which is all the good it did Joffroy--though it was a great thing for Edmond
Rostand, as it probably will be for Maurice Hewlett.

Thus would speak Father, who is quite sensible.

Incidentally the house does extremely well. The rugs--with the characters
as you suggested, are a great success. The furniture is almost finished, and the
house, bar papering and floor-painting, all ready. That's what makes me feel
quite sure that I shall soon move on. I feel the chill of the Siberian air be-
tween the plumage of my wings.

And so, reluctantly, owing to the perversity herein exhibited, I bow.
May you fare well.

W.S.

To come back to that book. It's much nicer than "Halfway House"--cleaner and
sweeter--don't you think so? You say you love it--and from the passages you've
marked I quite understand why. I want to hear from you about it though--and
tell me is not the best lesson of all that it teaches, one that is really worth
learning--to be true to yourself?
January 10th, 1910.

Dear Blando:

The Chinchou-scheme now seems to be doing nicely thanks to the big project for the neutralization of Manchuria of which it naturally forms the framework. It has already been approved in principle by imperial adrost and I hope that the actual ratification is not far off. Once that is done we shall see what the Randolours will do with their South Manchuria Railway. It will not be worth much if the Russians play the game and sell out to China as they will do if they're wise. The alternative would be to combine with Japan and they ought to see the foolishness of missing the foot that kicked them and is only waiting a pleasant day when everyone is off after gone to kick again. From Europe it looks as if the internationalization project had been well received by the various F.O.'s. Your friend Chirol was rather nasty in his column in the "Times" and ought to have done better.

Certainly it is a big scheme and the difficulties will be very great indeed. They are not decreased by pointing them out and making the public feel that the project is all hot air. To put through such a deal will require many months of negotiation and the result may not be all that could be hoped for in any case both Japanese and Russians ought to be so well tied up at the end of the discussion that they would have much difficulty in wriggling into the doorway again, for long at any rate.

I don't know anything about the S. & O. We will hardly take them into consideration I think. If this big play fails we should have the Chin-li to work on anyway, and may try our hand in the south later, but I am not for it particularly myself and I am certainly against any tie up with people like your friend Addie or organization with which he has any connection. Incidentally I don't see much use in playing very hard with you Brits either anyway. Individually yours all right, but by lord, what a bore you're on when it comes to real guts. Hei-yi t'i'er'h. Jordan I should say was the personification of spinelessness, and therefore an excellent representative. Oh for a man.

Get your friend Chirol to put a little carbolic into him. Then we can play together as we were meant to do.

Yours,

[Signature]

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Bar a New Year's telegram I've neither seen nor heard from Tang since I went down to Manchum with you. He's better I believe but I hear nothing more about his taking up Manchurian negotiations. Possibly in case this present contemplated scheme goes through he will be appointed. Certainly he would be the best man for the job though Liang will try to take it on I think as he continually says he wants to get away from Peking.

Harrison is leaving in a few days and apparently no successor relieves him here. Why don't you come up? This is the place for you these days, and the "Times" badly needs a corrective.

When I see'em I'll deliver your message to the fair one. I do not frequent Ladies' society as you know, and am therefore but a poor conductor for your amorous messages. Send 'em to some one else who will deliver the goods in a nice verbal package tied with the red and blue ribbons of polite conversation.

Caldoun with Einstein, Fletcher's successor, should arrive about the middle or end of March but not before. He will be leaving at that rate I suppose some time in the first of April. With any luck I shall beat it too, for things should have gone one way or the other by that time. Either we will be having an international shindy over the neutralization scheme or the Chinchou-Aigun thing should be fairly well along. As a matter of fact I am quite willing to stay on if only I have something to do. At present I am idle and consequently unhappy, so I am not in the state of mind which befits pictures.

However if you'll find out about the second edition I'll gladly do a lot more sketches, little pen and ink and things. They're quickly turned out.

My salutations to Mrs. Blando.

Yours,
Letter No. 40.
File No. 2/62/62.

For the American Group,
23 Wall Street,
New York City.

Gentlemen:

Since forwarding my Letter 47 of December 31st. last I have had two interviews with H. H. Liang, President of the Foreign Office and numerous conversations with the messenger sent to Peking by the Viceroy of Manchuria.

The Chinese are most anxious for the success of the internationalization project. Our constant reiterated that the immediate ratification of the Chinshen-Aign Agreement of October 2nd is essential to the development of the larger plan has apparently at least been effective and Liang has promised to use every effort to secure the prompt issuance of the desired Edict.

Without fully discussing the intricate relations of the Viceroy, the Grand Council, and the Three Boards, it would be impossible to give a true account of the events of the past three weeks. It now appears, however, that the Grand Councillors' assurances have been substantially correct. Liang has confirmed the statements made by Shih Han, having told me that the Three Boards in their memorial, approved the Chinshen-Aign Agreement in principle, queried one or two articles, notably the provision for the Operating Company, and suggested that in addition to the Railway the Viceroy should evolve a scheme for general Manchurian development.

There seems little doubt that this provision was introduced by Liang Sun Yen at the instigation of the H.A.S., and possibly the H. & S. Bank.

The memorial was approved by the Throne and referred to the Viceroy. It was expected, so states Liang, that the Viceroy would at once open negotiations for the detailed agreement. He refused to do so, however, and at once sent in another Memorial urging that the Railway be sanctioned at once without any additional or contingent projects, threatening immediate resignation unless his request was granted.

Such was the state of affairs when the Viceroy's messenger arrived stating that the three Boards had memorialized against the Railway and urging that we strongly press for the immediate ratification of the Agreement of Oct. 2nd.

Whatever may have been the reasons for former delay I believe that with the internationalization scheme dependent there-upon...
upon we may expect the early approval of the Chinchoo-Algin project.

The great danger will not be that Japan may secure participation in this enterprise before committing herself to the internationalisation plan, and then refuse acquiescence therein.

I have therefore urged Liang Tun Yen at once to ratify the Chin-Al Agreement, and have pointed out that having done so he will be able to inform Japan that 40% of the financing of the road may be taken up by the associates of the American group, and that China would willingly see this shared by Japan and all or any other Powers pledged to the "Open Door" and the integrity of China. In case Japan does not consent to the internationalisation scheme she can then be excluded from the Chin-Al Railway.

I trust that China will do as suggested. It will be difficult for Japan to withhold consent to the larger project if

(A) she desires to reconcile her actions with her repeated "Open Door" declarations.

(B) she can be convinced that the Chinchoo-Algin road will be built with a working arrangement, or amalgamation, with the Chinese Eastern Railway.

In acquiescing, however, the Japanese Government must risk raising a great popular outcry against the sacrifice of the "one prize of the War".

Against this she will have to balance the advantages of

(a) liquidating a portion of her indebtedness,

(b) bolstering her credit by restoring confidence in her non-belligerent intentions.

(c) curtiling military and naval expenditure owing to the diminution of the Russian menace.

Furthermore Japan at the present time is extremely anxious to annex Korea and it might be possible to arrange that this might be recognised by the various Powers having treaties with Korea in case Japan honestly cooperated in securing the neutralisation of Manchuria. A suggestion of this character, however, would come better from England than from the United States, which should not, if possible, be forced to bear the onus of finally delivering the Koreans into Japanese hands. Were the Peninsula not already under Japanese domination I should not venture to submit this for your consideration.

In case Japan does consent to the larger scheme it would seem quite possible that it would not be necessary to construct the Chinchoo-Algin road in entirety, at once, but to build the Taishihar-Algin section and a number of east and west roads to act as feeders for the present South Manchurian line.

It is generally felt in Peking that the internationalisation project is splendid in conception but too ideal to be brought within the realm of practical politics. If the Powers could, however, be persuaded to consent in principle, an international conference might produce surprisingly satisfactory results for Japan and Russia are now mutually apprehensive and should welcome the relief which the neutralisation of Manchuria would
Shanghai, 12th Jan., 1910.

Dear Straight, sorry things aren't going better with you, and wish I could help the good fight. Perhaps I may be able to soon.

I am going down next week to see the B of the Bank at H'kong and one little act of justice and repARATION which I am going to suggest to him is that he relieve me, and get the B & C to do it, of the embargo placed upon me by the unspeakable Addis, which prevents me from doing anything in China. Now that the Hukuang loan would seem to be pretty well hanged up, I might be of great use to you and other friends. I saw de Moyer yesterday. From what he tells me of things in Russia, I firmly believe that once the amalgamation between the Russo-Chinese and the Magnaex Bank du Nord is arranged (which will extend French influence in the heart of the new institution,) there will be a splendid opportunity for uniting American capital and political influence with the Russo-French policies, to the great advantage of both, and I foresee clearly that, no matter what Govt is returned to power in England, the F.O. will have to give its moral support to a combination which is only carrying out the policy for which we have always professed to work. Chirol now sees the mistake that he made in giving too full a measure of support to the Japanese, and I feel sure that the result of America's latest move, and of the Bander-log wrath thereby generated, will be to arrive at a definition of the position in Manchuria, and definition of Japan's special rights and claims in that region. And that is where my proposed Go would find its field. And they could frighten the Chinese out of their knavish tricks of evasion and secure payment for chestnuts already busse-pulled.

Talking of the Book, which continues to sell well, would you not write to one or two of your good and useful friends in New York & Boston & get them to do something to have it well reviewed? I really think, pace Mrs Harding Ds., that it would sell there better than in England, and if you can get it reviewed, those silly old publishers will HAVE TO send over a proper consignment and advertise it decently. At present, like...
like E.W. here, they simply sit tight and let the thing sell itself.

Mrs Pearson tells me that the only way her man could get it was to
order through Brentanos, and pay five gold. That sort of activity
would kill any book. Could you not get a review in "Life" or The
Nation?

Will you please (do not forget) tell Mrs de Menocal that I sent
her glasses back some time ago, and the prescription, and hope (not
having heard from her) that they turned up all right. If they did not
I hold a registration receipt. I wrote her a line at the time.

And tell Prather that we hope to see his cheery mug in London
some time in April, on his way through. He must send me a line (to the
Thatched House Club) a few days before his mortal coil unwinds it-
self on London town. Then will the sons of the morning shout together
and make a glad noise. Selah.

Yours,

[Signature]

Pekin, China,
January 12th, 1920.

Letter No. 40.
File No. 3/17/49.

Messrs. J. P. Morgan & Co.,
For the American Group,
23 Wall Street,
New York City.

Gentlemen:

Referring to my L. No. 40 of December 13th,

last regarding the 'Tang Memorandum' I am enclosing herewith a
copy of the note addressed by His Excellency to me in returning
the signed document. I had supposed that the original note
had been left with you in New York. I shall now place it in
the Legation safe.

I also enclose copy of a note addressed to me by
Tang Shao Yi on August 7th, 1909, together with a copy of its
enclosure giving Manchurian revenues available as loan securities.
Copies thereof have been on file with Kahn, Loeb & Co., since
1906, and have been referred to by me in previous correspondence.

The original's will now be placed in the Legation safe.

Yours truly,

[Signature]

Three enclosures.

[Handwritten note:]

W. [Signature]

Papers at Cornell University
Jan. 14/10.

18" x 18" (1 piece)

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Shanghai 19th Jan. 1910.

Dear Straight,

Enclosed copy of letter to Arnold, asking him to send out another hundred copies of "Houseboat Days", I shall have to pay Arnold for this hundred, but then we shall be oh velvet to about that number and he will have to pay us royalties on the whole 350 when we square accounts in England. By the way, I wrote the shark lately to send two copies in my name to friends, and he writes to say he has done so and charged me at the rate of 12/s each for them.

If you want to enjoy a subtle jest, read the Fortnightly Reviews high praise of my article on the Provincial Assemblies "a remarkable and masterly letter" which puts down to Morrison. I wish the Editor could hear his views of that article! To him that hath is a true saying, and he ought really to thank me.

I shall not write you any more today because of your murky silence. Have you also the hump?

Thine,

[Signature]

P.S. Y.
Shanghai, 17th Jan. 1910.

Edward Arnold, Esq.
Publisher,
Maddock Street
London, S.W.

Dear Sir,

Messrs Kelly & Walsh, Ltd., the firm which is selling my book, "Houseboat Days" in China, inform me that they have only 19 copies left in stock locally, and about the same number up north. Under these circumstances I propose that you should sell me another 100 at the same price as the last lot of 260, and under the same conditions, or (if you feel no disposed) at a lower price. If you agree, please send out 100 to Messrs Kelly & Walsh, direct.

I do not know how many your first edition consisted of, nor what likelihood there is of your issuing a second, but I take this opportunity to say that if you are thinking of reprinting, I should like to correct certain small printers' errors in the text and to insert a few words of apology and thanks to the lady whose two pictures have been issued without acknowledgement, and wrongly attributed to Mr. Straight. I did not know that you were inserting these pictures, in fact I understood that you were not inclined to use them, or I should have taken care that the artist received suitable credit for them. The lady's name is Miss Ronald Macleod (formerly Miss Loveson).

Yours faithfully,

The Willard Straight Papers at Cornell University
account with the International Banking Corporation, 60 Wall Street, New York City. I received all the papers about the
radio and I wish to thank you very sincerely for the trouble
you have taken about them. They will no doubt soon arrive.

Mr. Calhoun is now in Washington working hard at the
Department during his instruction period. I am very happy
about our Far Eastern policy for I now feel that it is going
forward upon precisely the right lines and however recalcitrant
some of our friends may be, great good results cannot be pre-
vented. If China does not see on which side her bread is but-
tered and is too pusillanimous even to grasp powerful and friendly
hands in the endeavor to do what she says she wants to do, then
no fate, not even partition, would be unmerited. The Hukouon loan
has been a nerve-racking business. I really do not see how it can
fail to be satisfactorily settled in a short while longer.

I hope you will be comfortably installed in the group
quarters and that some things will happen soon which will add reat
to this game, both from your own point of view and mine.

Lucy joins me in warm regards and best wishes for the
New Year and I remain, always, with the most friendly sentiments,

Yours very sincerely,

Huntington Wilson.
Princess:--

This is a very special letter- and not an answering one- that will be later. Your gift of the end of December came tonight, and the Imperial Edict ratifying the Manchurian Railway Preliminary Agreement that I signed on Oct. 2d and I am frank to confess,Princess,that I've been more anxious to hear from you than I have from H.I.M. the Prince Regent, which may be allprofessional and all wrong-but its true nevertheless.

Thank you for your letter. I sry for more as does the burning desert sand that is blessed with a fleeting shower. I could out-Jack Sennwee-almost- but the threat's enough. I'll not attempt it- but its true and I was pitifully afraid that your letter- so generous in its proportions- might contain photographs. I only wish you'd written on both sides of the paper.

Of the Hukang I will write,by and by- Of the Manchurian scheme in all its broad proportions you have doubtless read in the public press. We had to fight for our first stake and the Bandar-log have done all in their power to block us- but thanks largely to the Elder Brother's forensic abilities we have won the day- and the Preliminary Agreement at last has Imperial Sanction. Whether this means that I shall have to stay on here through dreary months of negotiation or whether it means that I shall shortly be going home in preparation for a general conference in Europe next summer, I know not. The next few weeks are full of potentialities. At any rate, it is a step- the second.

The Hukang was the first, for whether the loan goes through or not makes little real difference- it was a small matter, and is. We forced Great Britain, France and Germany to stay their hands and by doing so, became an actual Factor instead of a Benevolent Shadow-possibility in Chinese politics. By the Chinahow Aign we have challenged and overcome Japanese and Russian opposition - their pressure on weak China to recognise themselves alone as the dominant influences in Manchuria. Whatever the financial results may be- the political significance of these victories will be widely appreciated. More glory to Henry Prather. Our spurs are on. En avant!

But Princess, it is your letter that has brought peace to my soul- a peace that will remain until the time comes when another is due, and the Shanghai mail is delayed- as this one was- night after night. Then it is very bad.

The white pony that I bought is a failure. I shall sell him. "Willie" the gray that I rode with you, shall be "Jestary" - and my new one- a fine bay just down from Mongolia, has already been dubbed in your honor- "Skiddoo" or "Twenty Three" - whichever you like- but for your anniversary.

And so Princess Goodnight. The last moments are indeed precious- for they are yours. I am glad that your letter was delayed-that it came as it did- to make a memorable evening-a happy one. They are not always so.

Goodnight.

W.T.

Original in private hands.

The Willard Straight Papers at Cornell University
January 23rd, 1910.

Dear Blondo;

Yours of the 12th. Things have looked up and the French tell me he has wired you the news of our defeat. It begins to seem as if we really might get something done after all. In this connection I would say that Jordan has been of no service, a hindrance rather than a help, and as far as I can make out your foreign office has been little better in urging that we admit Japanese participation and making no effort at all to secure something in which it might be possible for the Japanese to participate. I must frankly say that I should have to have a good deal more concrete proof of the value of British support than this has afforded before I should be willing to take any chances in depending on the slightest assistance from your Government in anything that required anything even remotely resembling opposition to Japan, or necessitated even the extraction of a definite statement of policy from the Sanderlog. It's not good enough Blando.

I am glad that you are having dealings with de Heyer and Jeetlesey, or however you spell his name. They now have a chance to do something definite. I feel sure that we are ready to enter into an arrangement with them, the Chin-A line gives an excellent reason for it, and any intelligent man can see why, no matter what an understanding, the Chinese shall not sell out our railway. It Japan does, Russia should not sell out her railway. China would be willing to make an arrangement providing for the transport of Russian troops in time of war, or in emergency, which would be good business and good politics. China would be willing to make an arrangement providing for the transport of Russian troops in time of war, or if necessary, which would hold at least until the Amur line was completed. Barracks at Manchuria and Blagovestshenek would then be available for Manchurian service as quickly as anything in the Sanderlog. I am sure that you will naturally withdraw your railway guards whereupon Japan would be forced to do the same thing.

I enclose an editorial from the Peking Daily News. It's in answer to one in the 'Times' which I have read. Cholm whom I presume wrote it, ought to be ashamed. I am damned sorry to hear the 'Times' using such language and advocating such an international attitude toward Manchuria. The enclosed does not seek the other on all its vulnerable spots either. It's mild rather than otherwise.

Regarding Books I can send the work to J.B. Gilder of Putnam's Monthly and get him to review it and also to put it in other hands where it could get a good one. You might send me up another copy or two and I'll ship on via Siberia. I also want three, one for Mrs. Bené, one for Miss Händ and one for Miss Whitney. They cry for them and say that the two bought copies will be bestowed on charming friends in America who will start a demand for the work. Please write something nice in 'em and I'll do each a pretty picture.

I'll give your message to Mrs. Bené. She asked me the other day to convey her regards, or something equally nice to you when I wrote. Rather want leave for some time yet. Whether he'll go via the Pacific or via Siberia I don't know. My own flitting has been indefinitely postponed I presume.

My salutes to Mrs. Blondo.

This letter is by way of being somewhat confidential as you may imagine.

Yours,
Prince; I've been wishing you all the best that the world can give. This morning I sent you a cable through Thomas Cook which I hope will reach you at any rate you'll know that my heart was there. And I wonder too whether you received the letter written a month ago—in the hope that you might have it today—and I went out with them in a motor car. They didn't know it—but the trip was with you and not with them.

This afternoon I went out along the road to the Summer Palace. I had wanted to ride through Borderland with you—but people came up from Tientsin—nice, simple souls and I went out with them in a motor car. They didn't know it—but the trip was with you and not with them.

The eight Buddhist symbols I can name—but though I've searched many books I have as yet been unable to find any explanation. I shall not give up and shall let you know the result of further investigation. This and the rest—for again this is a special letter—not a birthday letter, for it will not reach you until so very late—but merely to tell you that you have been in my thoughts all day. I hope you are interested in the information.

Enclosed I am sending you an article by 'Blando on the Railway Settlements question. Very good dope. Also Japanese comment on the Manchurian Neutralization project. Let you make further sarcastic appraisals and discerning remarks as you did about the 'Far East Revisited.' I underline the passage that prompts me to send you thelike clipping. There's nothing/acknowledging the good.

Your pet Hakuma is still hanging fire in Europe and when the bankers cease their bickerings about hypothetical engineers-in-chief—or imaginary railway sections the Chinese will doubtless refuse to take the loan, and I wouldn't blame them. By little hour of triumph some yesterday however, when Hillier of the Hongkong & Shanghai Bank—the institution that attempted to exclude us from the Hakuma loan—called to ask that we grant his Group and the French and Germans participation in our Manchurian road. Japan and Russia are now supposed to have refused Mr Knox's Internationalization proposals. So much the better. They are branded. In the meantime the Chinese, being frightened, we shall get better terms for our agreement and once our railway is running we can

make the Japanese Railway look like a Peking summer—very draggled.

This has all been politics, but I suppose I must weight my letters thus, if I would carry to you. I really want to discuss many other things. I don't know that I told you when you were here—but I'd heard of you for years before I ever met you—and especially of your Mother, whom my Aunt knew. I wasn't quite sure of it until the other day when my Aunt wrote in answer to my letter telling her of what a joy your visit had been.

Of course, as perhaps I did tell you, she wasn't my Aunt at all—but a friend of my Mother's. At any rate, her cousin—a certain Mrs Lyon—a Rodman I think—was a cousin of Mrs Barnes, Katharine Barnes's mother. Thus my Aunt knew—of your mother, and she used to speak of her to me when I was a small boy as being a most beautiful and wonderful woman, and of you as a small winsome lassie. I thought that you were—you but wasn't sure until my Aunt wrote me. Then today too, I had a letter from Mrs Lyon's daughter—now a Mrs Karl Kellogg of Oswego (she married her cousin whom my Aunt apparently had told you had been here. She wrote—but I'll send you the letter. It's rather strange—isn't it? What Exx: a funny place the world is! Gnome! But you used one yourself when you said that no artist would dare paint a Javan sunset as it really was.

And so Prince, I do homage. I've known that you have been very wonderful—and done much for people before. I know how much pleasure you brought Miss Gerrett and the Websters and old Jameson and the Willis's with your books and thought—the thought's, the thing—and I know what real happiness your visit was and your letters are and so selfishly speaking for myself first, and the others incidentally, I hope that you may have very many more years—and that I shall see you, and failing that, hear from you, very often.

W.R.

C.D.Jameson—Bangor, Maine

Original in private hands.
The Willard Straight Papers at Cornell University
THE NORTH-CHINA DAILY NEWS,

THE RAILWAY SETTLEMENTS IN MANCHURIA.

The following letter appears in "The Times" from the Peking correspondent, dated November 26.

The difficulty of the situation with which the Chinese Government is confronted with respect to the railway settlements at Harbin, Mukden, and other centres of foreign trade on the "Chinese Eastern" and "South Manchurian" railways is, like most of its difficulties, of its own making. Its origins date back to the Ottawa Convention and to the farewell agreement of September 8, 1898, whereby China was led by the advice of Li Hung-chang, to allow Russia to extend her Siberian railway system eastward, under the guise of a " Russo-Chinese joint enterprise, through the heart of Manchuria to Russia's possessions on the Pacific, and towards the shores of the Yellow Sea."

The impetus to this was the treaty that enabled Russia to dominate North China, and largely to control the foreign relations of the Empire between 1927 and 1949, led inevitably to the war with Japan. At the close of this struggle, in which China remained a helpless and insignificant antagonist, the treaty of 1898 was again perpetuated, this by her failure to appeal against the transfer to Japan of all the "rights, privileges, and properties" that Russia had possessed herself in Manchuria, and, later, by the secret protocol attached to her treaty with Japan (December 25, 1899), whereby as the Fashamour and other islands have since been occupied by Russia herself, she committed herself to various self-denying ordinances in favor of the Japanese railway, ordinances in conflict apparently with her own interests, and with Article IV. of the Portsmouth Treaty. By reason of these blunders, "the complete examination of Manchuria," which this treaty promised, is still incomplete, and Manchuria is, at this moment, is interfered by two stripes of "aliens," Russian and Japanese, "protecting" the military forces of those powers.

THE NATURE OF THE DIFFICULTIES.

The conditions under which the alien railways claim to exist materially exceed the treaty's expectations. On the one hand, every effort on China's part—assuming that she is genuinely desirous of making such efforts to develop the trade and resources of the country for the immediate benefit of her own people, while, on the other, it involves the Chinese Government in unanimous and increasing difficulties with the foreign powers, whose treaty rights are infringed by these conditions. The existing situation is so complicated that, even assuming a sincere desire on the part of the railway companies and their agents to give effect to the principles of equal opportunity, most patience and good will will be needed to reconcile the many conflicting claims and interests involved. For many of the problems presented by the settlement of the "Chinese Eastern" and "South Manchurian" railways, no precedent exists in international law; for their satisfactory solution, it is necessary, in the first instance, to define several of the terms with which statements have comfortably been made in the past, in the "leased lands," "unimpaired sovereignty," "equal opportunities," "exclusive administration," etc., for if it must be apparent to any student of the present position of affairs that the terms of these terms depend entirely upon their application. When, for instance, China and Japan, by Article III of the Portsmouth Treaty, mutually engaged themselves "to restore entirely and completely to the exclusive administration China all portions of Manchuria now in the possession or under the control of the Japanese or Russian troops, except the territory affected by the lease of the Leutung Peninsula," it is disconcerting to find these Powers attempting to-day to justify their claims to political and administrative jurisdiction in the Manchurian trade centres on the railway lines, on the ground that, by the agreement of September 8, 1898, the "Chinese Eastern Railway"—"as its territory Chinese direction—"is entitled to absolute and exclusive rights of administration" on the railway's property. These rights have evidently been interpreted to include jurisdiction not only over Chinese, but also over the subjects of other nationalities resident on the railway lands." It is typical of the attitude of the Powers to interpose and diplop to the Chinese authorities, and significant of the difficulties of the railway settlements problem, that when, in July, 1908, China declared Harbin open to foreign trade and races, she made no attempt to define matters or to regularize the status of the very large areas of land which had been leased to, or purchased by, the railway company. This attitude is practically everything suitable for commercial progress within a considerable distance of the railway, it is purely meant to satisfy the representatives of foreign Powers at Harbin, and notably to the American Consul, that either the status of the railway company and its alleged rights must be revised to conform to the understandings given in the Portsmouth Treaty, or that all hope must be abandoned of equal opportunities in Manchuria.

THE POLICY OF RUSSIA.

It was to be expected that, after her successful war, Russia, confronted by the insistent claims of the foreign Powers, which have become more definitely and pressing with the recent rapid increase of Manchuria's foreign trade, would see fit to modify her policy in liberal lines. The negotiation at Harbin and Peking which led up to the Russo-Chinese agreement of May 10 (published in "The Times" of June 1) showed clearly that, in spite of the opposition of the railway company hierarchy (which until quite recently enjoyed the support of the Ministry of Finance), St. Petersburg was disposed to deal with the Chinese Government in a conciliatory spirit. The agreement, which, while betraying many important questions open, undoubtedly marks a very decided advance in the direction of an international understanding, if only because the sovereign authority of China is specifically recognized on the "lands of the railway company" (Article I.) and becomes the principle of equal opportunity is admitted in the constitution of the proposed railway settlement municipalities. To M. Korn, the Russian Minister at Peking, much credit must be given for the successful conduct of these negotiations in the face of many unusual difficulties.

The North-China Daily News, November 26, 1907.
Russian and Japanese railway companies can only be construed to mean that, by virtue of their lease or purchase of all lands adjoining the railway at the trading centres in Manchuria, they are entitled to exclude all others, including the subjects of the leasing sovereign. Power unless they agree to submit to Russian or Japanese "administratization," in other words, that land tenure by a railway company confer territorial rights which land tenure by other bodies, or individuals, cannot possess, by treaty, to assume. As what is in remembre that, in virtue of the concession granted to this—inevitably—

"scientific" company, it is sought to impose on merchants of all nationalities acceptance of arbitrary taxation, domiciliary visites and financial supervision by Russian or Japanese police, as the case may be, the attitude of the United States becomes more readily explicable than that of his Majesty's Government in regard to this question. The vast possibilities of Manchurian trade, as well as something of high seriousness in its assumed intention to maintain China's sovereignty and the principle of the "open door" on the shores of the Pacific, has led to the Government at Washington to adopt its present active policy, a policy based upon the pledge given in the Peiping Treaty and on many other occasions. British subjects in Manchuria wait anxiously for some indication of British policy at this juncture, and they have therefore heard with special satisfaction that their interests are about to be protected by the appointment of a British "Unofficial" at Harbin.

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**The Manchurian Railway Proposal**

A Statement by Baron Goto

The "Nihon-Milch" system has been discussed in Japan, according to the Japanese media, for several years. The proposal was put forward by the railway builders, Mr. Hachida. It did not at that time meet serious opposition, but it was again urged upon Baron Goto, when he became President of the South Manchurian Railway Company. The great argument of the advocates of this program was that Japan should be financially emancipated from the dependent or "open" railway company. The Baron was much impressed by his American friends, but he insisted that his country was perfectly able to support the weight of the responsible little devolving on it after the War. Baron Goto goes on to enumerate what the Japanese Empire would be like in 50 years, some great Western Powers or combination of powers might have taken her by the hand and offered to guarantee her integrity, she would inevitably have yielded the other, and the ultimate effect upon her national position would have been much easier to describe. It is more than probable that if this American proposal may be referred unstudiously to a group of men who have a special object to attain, but if Japan overestimated her own dignity and had any due sense of her national responsibility, she would politely, but firmly, reject foreign interferences into her domestic affairs. The Baron concludes by alleging that the question has a vital relation to Japan's future. As a member of the Cabinet he is not free to speak unreservedly, but his individual opinion may be gathered from his attitude towards such a proposal a few years ago. "Right of the Scheme"

Mr. Mahomed Khane, the well-known politician, expressed his views through the columns of the "Harbin Chronicle." He spoke in confident, though short, the barest of his sentiments may be briefly summed up. His sentiments, he states, in the future, only Sài, the government has been cultivated by Japan. Joining hands with the "scientific" proposals of the railway companies, he has succeeded in forming a coalition strong enough to resist the active support of the Washington Cabinet. Thus, the proposal of Mr. Secretary Knox receives itself into a scheme to secure the concession of the Kinsou-Tsitsihar Railway. We (Japanese) do not deny that there are many Japanese capable of persuading themselves that the State Department at Washington has allowed itself to be misled by the"tale of a group of operators." A Railwayman's View

The Japanese Times states that a "certainty diplomat" who at one time represented this country at Washington is cited by the Tell with the following remarks: "The Willard Straight Papers at Cornell University"
January 24th, 1910.

Dear Davison:

Many thanks for your letter of December 8th, with its enclosure. From press telegrams Mr. Knox's scheme would already seem to have met it's fate. Though feeling that Japan would have been wise and statesmanlike in accepting the proposal I had hardly dared hope that she would be willing to forgo her Imperial plans. In Russia's action however I am disappointed, but feel that perhaps we might have been more successful had all the cards not been placed on the table at once. In any case we come out the gainers with the Chinchon-Alivan Railway, the Imperial sanction for which might have been even more difficult to secure had it not been for the bigger scheme. I shall be interested to hear what you will do with Russian and Japanese participation.

In deciding about admitting the British & Chinese Corporation to this loan it should be remembered that this concern holds the Imperial Railways of North China bonds, and that traffic for Peking from the Chinese road would have to pass over those lines. The B.C. has but little voice in the Management of the Chinese road and though it might be wise, it is scarcely essential that we should have their cooperation.

Cable 289 from the Group regarding Manchou was quite satisfactory as far as I am concerned. As I explained to you however in my letter of December 29th, what I really want is to have his feel that except in routine banking matters he must confer with us. This could best be arranged by having Pearson send his proper instructions. Perhaps you would prefer not to make such a request at this time and I think that can be handled Manchou satisfactorily.

My letter of January 18th, gave an idea of what the British have been doing. I learn now that they were aware of Japan's refusal of Mr. Knox's scheme before it was sent in. It hardly seems as if they had played the game with us. The "Times" editorials on the large project were anything but satisfactory and the foreign editor has continuously urged Japanese participation in the Chin-Ai road. The political

With kind regards, believe me,

Sincerely yours,

[Signature]

H. J. Davison, Esquire,
23 Wall Street,
New York City.
Letter No. 53.

February 24th, 1910.

Messrs. J. P. Morgan & Co.,
For the American Group,
23 Wall Street,
New York City.

Gentlemen:--
I beg to enclose here with a copy, in translation, of the Foreign Office note advising Mr. Fletcher of the issuance of the Imperial Edict ratifying the Preliminary Agreement for the financing and construction of the Chinsou-Aigun Railway. As the phraseology of this document has been deemed vague, Mr. Fletcher has arranged with the President of the Wei Wu Fu to supplement it by an exchange of notes referring specifically to the Agreement of October 2nd, which was of course the basis of the Viceroy's original memorial. This stage of the negotiations may now be considered at an end.

I learn that the Chinese may attempt to arrange to build the line in sections, i.e. first from Chinsou to Tszaiafu, then to Tsaitzihar, and thence to Aigun. This would seem "penny wise and pound foolish", and unless instructed to the contrary I shall endeavour to persuade them to undertake the entire enterprise at once.

The Viceroy has been instructed to proceed with the discussion of the detailed Agreement. Through his Commissioner for Foreign Affairs, now in Peking, I learn that he will be unable to do so before the first of the Chinese New Year, sometime after February 10th next. Negotiations will probably be conducted through the Viceroy's deputy here in Peking, French and myself going to Mukden for final signature.

Although not so stated in the Foreign Office note to Mr. Fletcher I understand that the Memorial from the three Boards took exception to the profit sharing and operating company clauses. The fact that Japan and Russia are now reported to have refused acquiescence in Mr. Knox's neutralization scheme, however, may enable the Government to secure these concessions. On the other hand for political reasons it may be best to give China as much "face" as possible in this railway.

Pending instructions from you I shall alter the draft Agreement forwarded you on January 17th. to meet the Chinese wishes, keeping in mind your instructions of December 8th. with regard to mortgage security, term of the loan, etc., but shall not submit the same for the consideration of the Chinese, thus avoiding all commitment until your wishes are known.

I have already opened negotiations with the Viceroy's representative here for financing and operating coal mines at two
two points on the railway route, namely Peiping, north-west of Chinchou, and Sear Mengen, in Heilungchiang Province. I shall also endeavour to reach some understanding with him regarding the creation of the ice-free port at Halutao, on the Gulf of Pechili, near Chinchou.

Participation As already reported by cable, on Saturday Mr. Hillier, local Manager of the Hongkong and Shanghai Bank, acting under telegraphic instructions informed me that the British and Chinese Corporation, in which the Hongkong and Shanghai Bank is the moving power, would like participation in the Chiin-Ai loan, and requested that a share thereof be granted. This was in no sense a demand, though Hillier thought that inasmuch as the B & O Corp. had arranged to finance the abortive Heimintun-Fukumen Railway, there was a certain moral claim, on the Chinese at any rate.

He explained that under the inter-Bank arrangement this participation, if obtained, would be shared with the Banque de L'Indo-Chine, and the Deutsche-Asiatischk Bank.

He also suggested—as I understood him, on behalf of his tripartite colleagues—that the proposed loan be divided equally between the Four Groups.

In reply I stated that the matter would be referred to you, that the details of the loan had not been settled; that in any case B & O participation, if admitted, must probably be limited to finance, as construction would be by contract. In response to inquiries I also informed Mr. Hillier that while under the terms of the Preliminary Agreement it might be possible to admit others it would probably be impossible equally to divide the loan as he had suggested.

M. St. Pierre of the Banque de L'Indo-Chine, yesterday informed me that Mr. Hillier had not been authorised to speak for him. He expressed some doubt whether the French Government would permit the quotation of Chiin-Ai bonds unless French industry were to profit in some way from French financial participation in the loan. He thought the railway political rather than commercial and did not seem anxious, as was Mr. Hillier, for participation.

Mr. Cordes of the D. A. Bank has not yet broached this subject. From recent conversations on the general Manchurian scheme, however, I believe the D. A. Bank anxious to cooperate with the Group.

The French Minister in informal conversation on Saturday hoped that French Bankers would be admitted to participation in this loan, and that negotiations to this end might be opened shortly. He informed Mr. Fletcher, however, that France would take no action which would be unwelcome to Russia.

Even though Russia has declined the internationalisation project,
Letter No. 53.

- 6 -

project I cannot believe that she will enter into dangerously intimate relations with Japan, but feel that when the Chin-Ai Railway assumes more definite form, when the Amur railway is nearing completion, that it should be possible to bring Russia to terms. Japan will then be placed in a difficult position.

It has been a most fortunate circumstance that the Imperial Edict was secured prior to Japan's refusal of the neutralisation project. Otherwise Japan might have blocked even this railway. Through subsidized organs in Chinese and English a strenuous effort has been made to discredit the larger project of the completion of the Chinchow-Aigun line and to prove that the Chinchow-Aigun line would never pay. On the issuance of the Edict the Japanese Minister hastened to the President of the Wai Wu Pu and strenuously protested against China's action in sanctioning this railway without consulting Japan. This Mr. Iijima characterised as an unfriendly act. When informed that his action was scarcely consistent with the assurance given by him to Sir John Jordan and Mr. Fletcher that Japan would have no objection, in principle, to the Chinchow-Aigun line, Mr. Iijima stated that since only the Preliminary Agreement had been ratified it made no difference.

Yours truly,

C/o W. S. Morgan & Co.

One enclosure.

The Prince of Ching to Mr. Fletcher, American Charge d'Affaires.

Your Excellency:

It is on record that the Viceroy of Manchuria and others have memorialised asking permission to make a foreign loan to build by instalments a railway from Chinchow to Aigun.

The Board of Foreign Affairs consulted with the Board of Finance and Communications and it was agreed to sanction the proposal. A Memorial, stating specifically that this sort of agreement should be drawn up in careful detail was sent in to the Throne on the 10th day of the 18th moon of the 1st Year of Huan Tung, (January 20th, 1910) and the Varmilion Descript "Let it be as decided" was reverently received. Besides instructing the Viceroy concerned to act accordingly this dispatch is now sent for the information of Your Excellency.

A Necessary Despatch.

Seal of the WAI WU PU.
Letter No. 57.

January 30th, 1910.

Messrs. J. P. Morgan & Co.,
For the American Group,
23 Wall Street,
New York City.

Gentlemen,—

Supplementing my Letter No. 56. of January 26th. I beg to suggest the following changes in the draft Agreement therein enclosed:

1. To Section 2, Art. II, add "The first series shall be for --- gold dollars."
2. To Section 4, Art. II, line 2, substitute "Principal" for "face value."
3. Substitute Enclosure 1, for Section 2, Article VII.
4. Substitute Enclosure 2, for draft suggested Letter from Administration to Group.

Reasons for changes. Although suggesting in my L. No. 55 of Jan., 29th, that owing to the Japanese and Russian refusal of the neutralisation scheme it might be possible to overcome Chinese objection to the operating company and profit sharing clauses, on more mature consideration I believe such attempt inadvisable, for:

With a view to quieting possible opposition from Japan and Russia it would now seem wise to give the railway a Chinese character as possible without endangering the mortgage security. The last draft loan Agreement supplemented by the suggested letter from the Administration to the Group were prepared to this end.

While it might be possible to claim monetary compensation for abandoning these two clauses to which exception is taken, it would seem inexpedient to do so. As an offset against the surrender, however, I have inserted in the last draft:

ARTICLE XIII, giving the Group control of harbour work construction.

ARTICLE XIV, giving the Group agency business for foreign railway materials during the currency of the loan.

ARTICLE XV, naming the Group as Bankers for the railway during the currency of the loan.

In addition as already reported I have opened tentative negotiations for two coal mining concessions.

The foregoing advantages, together with the appointment of an American General Manager will I trust be considered a satisfactory platform on which to open negotiations.

Changes in Art. VIII, Section 6, Art. IX, Section 8, were introduced at the suggestion of Mr. de Menocal of the International Bank, as protection against loss by exchange. I venture to suggest
suggest that these provisions be discussed with exchange experts in the International Bank in New York.

The rough engineers estimates for construction and equipment of the line total about £ 6,750,000. This figure would be increased should the Chinese wish to push construction all along the line, from the Gulf, the Amur, and such midway points as may be available. Mr. Ginnell leaves on Monday to look over the site of the proposed ice-free post Hulutao, near Chinshu. Allowing for interest during construction, land purchase, construction of harbour works, and administrative expenses the total loan should be/for between nine and ten million pounds stirling. Mr. Ginnell believes that the first series should be for not less than £ 6,000,000. He feels that a rough colonization line could be run through in four years, a substantial road, working from every available point, in about five years, and a substantial road working at ordinary speed in eight years.

My cable No. 49 corrected the erroneous impression conveyed by my message 47 that Mr. Hillier acted on behalf of his colleagues of the D. A. Bank and Banque de L'Indo-Chine in suggesting that the Chinshou-Argun loan be equally divided between the four Groups. Both Mr. Cordes and M. St. Pierre informed me that they had not authorized Mr. Hillier to speak for them and careful inquiry yesterday elicited from Mr. Hillier the information that he had advanced the proposition under instructions from London and was not acquainted with the attitude of his colleagues. I regret that I should have misinterpreted his remarks.

In this connection I now learn from the President of the Pei Po that he was approached by the tri-partite Banks regarding a silver loan to the Manchurian Administration. These overtures apparently resulted in the instructions to the Viceroy contemplating a general Manchurian development scheme regarding which I have already advised you. Mr. Liang told me that the Viceroy had refused to discuss this question.

His Excellency further hoped that the Germans might be admitted to the Chin-Ai loan, stating that Mr. Cordes had expressed great interest in this matter. He placed very little reliance on British support in any enterprise at all unacceptable to Japan.

Russian. Learning that M. Korostovets, the Russian Minister of Foreign Office had taken up the Chin-Ai matter with the Foreign Office I broached the subject informally after a dinner at the Russian Legation. The Minister stated that his Government had made no formal protest but was very greatly interested in the road. He thought that in view of Russia's special position in Manchuria the American Government or Group should make overtures contemplating Russian participation.

At
At the Foreign Office M. Korostovets had informed H. H. Liang Tung Yeh that Russia would consider the construction of the road an unfriendly act. He had then asked how China would regard Russian participation. Liang asked the Minister whether he meant to protest against the road or whether he was asking for participation. He then informed M. Korostovets that the matter had been placed entirely in American hands, and that if he wished participation he should approach either Mr. Fletcher or myself.

Having been acquainted with the tenor of this conversation by Mr. Fletcher who had called at the Foreign Office immediately after the Russian Minister— it was confirmed by M. Korostovets — I informed the Minister that I could not well recognize any special Russian position in Manchuria by approaching him in regard to Russian participation, but that if he wished admission I was sure that the Group would listen sympathetically to any proposition he might make. Participation, I pointed out, would be granted on a commercial, not a political basis.

After some circumlocution M. Korostovets agreed to request M. de Hoyer, special Agent of the Ministry of Finance, now at Shanghai, or some representative of the Russo-Chinese Bank to come to Peking to discuss the matter.

At Petersburg there would seem to be great jealousy between the Ministries of Foreign Affairs and Finance, with considerable interference from the Ministry of War. For this reason I trust that Russia will be satisfied with some "face-saving" participation, together with working traffic arrangements with the Chinese Eastern Railway.

Japanese

Aside from the stormy interview between the Attitude. Japanese Minister and the Grand Councillor

Ma Tung there have, as far as I can learn, been no developments in the local situation via a via the Japanese.

Neither Russians nor Japanese anticipate an early conclusion of the detailed Agreement. I am endeavouring to

create this impression.

Chinese

The Chinese seem alive to the advantage of Attitude. settling this matter as soon as possible. A representative of the Viceroy will probably reach Peking early in the Chinese New Year. From my conversations with the President of the Foreign Office and the Bukden Commissioner for Foreign Affairs I am led to hope that we may reach an early understanding, including the ice-free port, coal mines, and the appointment of an American General Manager for the road.

In connection with the Railway the Chinese realize the necessity of forming a colonization company. I have therefore reopened the discussion of the Bank project, providing for a small loan, the issue of founder's shares, and the grant of authorization to issue Chinese — they will probably be provincial—obligations up to a certain amount. A draft Agreement will be submitted to you at the earliest possible moment.

From Lord Hrench I learn that a Manchurian Prov-

The Willard Straight Papers at Cornell University
Letter No. 57.

Ocial loan was recently offered Panmure, Gordon & Co. of London. I know nothing about this unless it be the abortive tripartite scheme, and should appreciate any information which the Group may have in regard thereto.

Yours truly,

Two enclosures as stated.

Copy to E. C. Grenfell, Esquire.

E. Loan

As provided in Article II, Section 2, above the loan shall be issued in two or more, not to exceed four, series, the first issue to be made to the amount of ___________—gold dollars as soon as possible after the signature and ratification of this Agreement. Each subsequent series shall be for such amount as the Administration in consultation with the Group shall determine to be necessary to provide for the uninterrupted continuance of construction work.
Suggested form of letter to be addressed by the Administration to the Group as supplementing the formal Loan Agreement.

Gentlemen:

Desiring to operate the Chinohou-Aigun Railway as economically as possible and to secure the greatest possible efficiency in the personnel of the Railway staff, and, at the same time appreciating the fact that the Group, holding a first mortgage on the railway, as security for the Chin-Ai Railway loan, is vitally interested in the maintenance of the road in the best possible condition, I hereby request the Group to recommend to the Administration an American who shall, during the currency of the loan, act as General Manager for the Railway, subject to the orders of the Administration.

The salary of this official shall be paid from the general accounts of the railway and the amount thereof fixed in consultation with the Group.

The General Manager shall be permitted from time to time to report to the Group regarding the condition of the line and its appurtenances, and in case there be any expression from the Group that the railway is not operated in such manner as fully to protect the bondholders the Administration will promptly act on such recommendations as the General Manager may make with a view to remedying those unsatisfactory conditions.

Acting with the Administration or its duly authorized representative the General Manager shall have general supervision over the organization of the operating staff of the railway, and the selection and retention in the railway service of foreign employees, who shall be of American or British nationality, and who shall occupy such positions as

and be entrusted with such authority as shall ensure the most efficient and economical operation of the railway and harbour works for the benefit of the Administration and the protection of the bond-holders.
January 29, 1910.

Messrs. J. P. Morgan & Company,
23 Wall Street,
New York City.

Gentlemen:

Replying to your letter of the 22nd instant requesting to be furnished with what information the Department has in the matter of the Imperial Edict issued on the 20th instant covering the Chinchow-Aigun Railway project, I am happy to enclose herewith copies of the following telegrams recently exchanged between the Department and the Legation at Peking:

From Peking, January 20;
From Peking, January 21;
From Peking, January 22;
To Peking, January 22;
From Peking, January 26.

I am, Gentlemen,

Your obedient servant,

[Signature]

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Peking,
Dated Jan. 20, 1910
Rec'd 3:30 P.M.

Secretary State,
Washington.

January 20, 11 P.M.

I am informed edict issued today ratifies Chinchow agreement, reserving unacceptable provisions. The text of the material not available tonight. Will telegraph details tomorrow.

FLETCHER
Peking,
Dated Jan. 22, 1910
Rec'd 4:20 p.m.

Secretary of State,
Washington.

Jan. 22, 12 M.

CONFIDENTIAL. Referring to my telegram of Jan. 20, 11 p.m.
I am now in receipt of a formal note from the Foreign Office stating
that the Viceroy of Manchuria and others have memorialized to make
a foreign loan to build a railway from Chinsow to Aigun and
that the Foreign Office consulted with the Board of Finance
and Communications and it was agreed to sanction the proposal.

A memorial stating specifically that such an agreement
should be drawn up was submitted on the twenty-

fifth instant to the Throne and the Imperial Rescript "Let it
be done" was received.

The note concludes by informing me that the Viceroy has
been instructed to act accordingly.

FLETCHER

Peking,
Dated Jan. 22, 1910,
Rec'd 5:30 A. M.

Secretary of State,
Washington.

January 22, 3:00 P. M.

As the Foreign Office note received yesterday does not
state explicitly that the preliminary agreement has been
ratified, propose writing Foreign Office note stating that the
Legation learns with pleasure that the Chinese Government
approves the preliminary arrangements made by the Viceroy for
the construction of Chinsow Railway and that as the agree-
ment signed October second provides for drawing detailed agree-
ment satisfactory to all parties, American Bankers' representa-
tive will be instructed to consult with Viceroy in regard to the
details at the proper time. Do you approve?

FLETCHER.
January 22, 1910,
1:00 P. M.

Ambassador,

Peking.

Your telegram, January twelfth, twenty-first, and twenty-second.

Your reply to Liang that American accepts full responsibility for neutralization plan is approved. Nevertheless in its efforts on behalf of China the United States fully relies upon the hearty support and cooperation of the Chinese Government.

The Department approves the action proposed in your telegram of January twenty-second, three p.m., but you should make it clear to the Foreign Office, orally or in writing as you may deem best, that this Government takes for granted that the Imperial rescript recently issued refers specifically to the preliminary agreement of October second, and have received today a reply stating that the memorial which was sent in on January twelfth and which received the Imperial rescript did relate to the said agreement, but that this preliminary agreement contains certain provisions which are not acceptable and which must be changed and that Viscount will need to reconsider the same in consultation with the representative of the American group and draw up a detailed and satisfactory agreement.

FLETCHER.

The Willard Straight Papers at Cornell University
Dear Davison:

From Pearsen I learn that Mr. A. W. Beah is coming to China with the returning Minister Wu Ting Fang. He will represent a syndicate in which the principal mover is Mr. George Kao. Beah you doubtless remember. He brought the kick about the Group's taking over American interest, dead as far as his people were concerned, in the Hankow-Szechuan line, and wished to unload bonds for a Seattle water-works or something of the sort.

I've known Beah few some years. He does not, I am afraid, play straight and will probably to make trouble for the Group in China. He may not be able to do any serious harm but he may spread nasty rumours, and it is conceivable, from what I know of the Chinese officials with whom he made his connections here before, that he will resort to more or less direct corruption.

In case he approaches the Legation asking for support in any enterprise, the Minister or Chargé under standing instructions to support any legitimate American venture, would probably be obliged to take the matter up with the officials. This might result in my exclusion, for in railway or other loan matters it would be inadvisable to have the Legation backing more than one Group. There are of course many investments, such as the provincial loans of the character already referred to you, which Beah might take up and which the Group would not dare to handle. In order to anticipate difficulties however would it be possible to have the Legation instructed not to support any Group in obtaining loans without specific directions from Washington? Such steps would enable me to advise you of any move on Beah's part insinual to the interest of the Group, and you could then take such action as you might deem necessary in Washington. I realise of course that the Department may run the risk of being branded as the tool of "Wall Street". That cannot be helped however if the Government wishes to pursue an effective policy and not dissipate its energies in encouraging the activities of minor syndicates.

China
Letter No. 59, File No. 2/22/59.
2/14/59.

Messrs. J. P. Morgan & Co.,
For the American Group,
23 Wall Street,
New York City.

Gentlemen:

Referring to the final paragraph of my Letter 47 of January 26th, regarding the rumours of a Manchurian Provincial loan, Lord ffrench informs me confidentially that his latest advice from London are as follows:

There were certain negotiations between the Viceroy and the Tripartite Banks. I have been unable to ascertain how far the Germans and French were involved, and reports as to who took the initiative differ. The Chinese assert that the Viceroy refused to continue. Lord ffrench learns from London that the Hongkong and Shanghai Banking Group were unwilling to prejudice their market for Imperial securities by handling a provincial issue. Baron Hrianger, Peuling's financial banker, was requested by the H. & S. Banking Group not to take up Chinese provincial loans. He refused to acquiesce, on account of past friction over Chinese matters, and has

has instructed ffrench to see what can be done along these lines. He will handle a Manchurian loan, up to a million sterling in case it be well secured, and will not insist upon an Imperial Guarantee.

Ffrench may attempt to secure such a loan but does not wish to interfere with our negotiations for the Manchurian Bank.

On Saturday I discussed the proposed Bank scheme with Duke Tsai Tse, Minister of Finance. He unlike, the President of the Foreign Office, was not in favor of the scheme. He foresaw many difficulties in managing an American-Chinese Bank, feared that it might interfere with the "Ta Ching" Government Bank - which the Chinese wish to make the central financial organ of the Government - and was sceptical concerning an Imperial Guarantee for the bond-issue for such an institution.

This opposition from the Treasury might be difficult to overcome. The Group moreover may feel that the Chihkou-Ailun Railway bonds will be, for the present, a sufficient Chinese responsibility. Under the circumstances the Group might wish to encourage Lord ffrench in securing a Manchurian loan, which could be used for stimulating colonisation along the Chih-Ai Railway, in case the security therefor did not earn revenue which might ultimately be required to meet the service of the Railway Loan. To do so would give a further British commitment in Manchuria, which, in view of the recent
Letter No. 60, File No. 5/76/60.

Measrs. J. P. Morgan & Co.,
For the American Group,
23 Wall Street,
New York City.

Gentlemen:

For your information I beg to submit
herewith a copy of the note addressed on January 30th. by
the American Charge d'Affaires to the Hai Fu Fu, together
with a copy, in translation, of the reply of the Foreign
Office. This interchange of notes is satisfactory in giving
definite and specific assurances of the ratification of the
Preliminary Agreement of October 2nd. 1909.

I also transmit a rough memorandum prepared by Mr.
Ginell, Pealing and Co.'s Engineer. I have assumed the date
of issue to be 94. Mr. Ginell believes that the first
series issued should be for $5,000,000. He further states
that a rough colonization line would require an additional
outlay. I am inclined to the view that the construction road
should
should serve for colonization purposes, and that its construc-
tion should not entail additional expenditure.

Mr. Gimell expects to leave tonight for Chinshou to inspect the proposed harbour site at Halinou.

In pursuance of your cabled instruction I have informed Mr. Hillier that the question of participation in the Chin-li Loan by his principals would be reserved by you for future decision and have suggested that in case they had any further proposals to make, such negotiations could best be conducted in London.

I am cabling you today regarding reported Japanese action in St. Petersburg. Through a subsidized press the Japanese are endeavouring to discredit the Chinshou-Aigun project, stating that Russia will protest, that the line will never pay, that in constructing it China involves herself in further financial difficulties, and places her neck further under the yoke of foreign oppression. It is assumed as a corollary to these statements that the South Manchuria Railway bolsters China's faltering sovereignty and is an unqualified blessing to international trade, giving no preferential treatment whatsoever to Japanese merchants.

A report emanating possibly from interested parties has been circulated that the Group would admit the Tripartite Banks. In commenting thereon the North China Daily News, the most influential journal in the East, remarks that it is to be hoped that in internationalising the Loan the American Group will not, as was done in the case of the Haakew-Gatton Road (Original American concession), pocket its percentages and allow Europe to carry the bonds. Englishmen and Continentals have from the outset been sceptical about American ability to handle Chinese loans, and will take every opportunity to prove that the United States is endeavouring to assure political and commercial benefits without assuming financial responsibility.

The announcement of the ratification of the Imperial Edict has, except for the Japanese vernacular and subsidized press, been well received.

[Signature]

[Note]

Three Enclaves as stated.
Copy to E. O. Grenfell, Esquire.
Gow
Mr. Fletcher to the Prince of Ching.

To F.O. No. 610.

Washington, D.C., January 24, 1910.

Your Imperial Highness:

I have the honor to acknowledge the receipt of Your Highness' polite note of the 15th, instant informing this Legation that:

"It is on record that the Viceroy of Manchuria and others have specialized making permission to make a foreign loan to build by instalments a railway from Chinchow to Aigun. The Board of Foreign Affairs consulted with the Board of Finance and Communications and it was agreed to sanction the proposal. A Memorial stating specifically that this sort of Agreement should be drawn up in careful detail was sent in to the Throne on the 10th day of the 10th month of the 1st year of Kuang Tung (January 50th, 1910) and the Verminion Rescript "Let it be as decided" was reverently received. Besides instructing the Viceroy concerned to act accordingly, this despatch is now sent for the information of Your Excellency. A necessary despatch."

I have taken much pleasure in communicating this intelligence to Washington.

The Legation has not before it copies of the Memorials mentioned in Your Highness' note but my Government takes it for granted that the Imperial Rescript recently issued refers specifically to the Preliminary Agreement for the construction, etc., of the Railway from Chinchow to Aigun signed on

To His Imperial Highness,
Prince of Ching,
President of the Board
of Foreign Affairs.

(Signed) Henry W. Fletcher. Chargé d'Affaires.
From P. O.

January 27th, 1910.

Prince of China to Mr. Fletcher.

Your Excellency:

I have the honor to acknowledge the receipt of Your Excellency's dispatch on the subject of the Memorial sent in by my Board regarding the construction of the Railway from Chinhou to Aigun in instalments by means of a foreign loan to be negotiated by the Viceroy of Manchuria and others. You remark that the Legation has not before it copies of the Memorials mentioned in my previous note, but that the American Government takes it for granted that the Imperial Rescript recently issued refers specifically to the Preliminary Agreement for the construction, etc., of the railway from Chinhou to Aigun signed on October second last, between Their Excellencies the Viceroy of Manchuria and the Governor of Fengtien, and the representatives of the American Banking group and Pauling and Company; and that this Preliminary Agreement contains provisions for the preparation of a detailed agreement satisfactory to all parties.

If the understanding of Your Excellency's Government as to the purport of the Imperial Rescript is correct, Your Excellency asks that a reply may be sent so that the representative of the American Banking Group may be advised to hold himself in readiness to consult at the proper time with the Viceroy of Manchuria and the Governor of Fengtien with regard to the detailed agreement to be drawn up.

In reply to Your Excellency's inquiry, I have the honor to state that the Memorial which was sent in on the 10th day of the 12th month (January 20th, 1910) and which received the Imperial Rescript did relate to the Agreement drawn up between the Viceroy of Manchuria and the Governor of Fengtien on the one side, and the American Banking Group and the British firm of Pauling and Company on the other side, concerning the construction of a railroad from Chinhou to Aigun by instalments. But this Preliminary Agreement contains certain provisions which are not acceptable and which must be changed, and the Viceroy of Manchuria will need to reconsider the same in consultation with the representative of the American Banking Group and draw up a detailed and satisfactory Agreement.

This reply is sent to Your Excellency for transmission to the American Government and that Your Excellency may instruct the representative of the American Banking Group to act accordingly.

A Necessary Despatch.

Seal of the Wei Wu Fa.
ENGINEER'S MEMORANDUM.

All figures are an approximate forecast.

Railway line and equipment, accelerated construction. £ 7,550,000.
Harbour works, breakwater about £ 400,000, and other immediate works 100,000.
Purchase of land etc. 100,000.
Administration. 100,000.

£ 8,850,000.

Assuming a loan of £ 11,000,000.
Issued 2 9%, would yield £ 10,360,000.

Deduct interest during construction, assuming period to be five years.

1st. series £2,000,000 0 8% for five years. 1,820,000
2nd. series £4,000,000 0 6% for two years. 400,000
3rd. series £2,000,000 0 8% for one year. 100,000
£ 1,720,000.

Balance for construction etc. £ 8,580,000, thus allowing £ 400,000 for contingencies.

No allowance is here made for interest upon unexpended balances.

Should the Chinese Government desire to build a temporary overland track for colonization purposes a sum larger than that mentioned above would be required.
Princess:

It was good of you to wire today— and I appreciate it more than you know. You apparently received my message which was sent somewhat as a shot in the air—in the hope that it might find you wandering somewhere in India. I wonder whether you ever received my letter written just a month before your birthday— I hope so. You were in my thought all that Sunday, and I wished many things to you. Do you think I ought to answer your queries?— perhaps so.

For the Tortoises:

There is no reason why they should always face south. They don't. It all depends on the "Feng Shin"— the local geomancy— and they might face west or even north. The essentials are a hill behind and running water in front, as I think I explained on that marvelous day when we visited the King Tamba. I have gone into the thing since you asked about it— but can find no evidence that they always face south— though it is a fact that they generally do, in order, as in life, that the spirits may have the benefits of the southern sun and be shielded by the hills that are behind all well placed graves— from the cold northern blasts.

Princess— I must plead ignorance— I don't know where the northerner can find the shade of the Khasim Woods. Mrs. Longworth or perhaps little Ethel Roosevelt could tell you— They know a good deal about the Romany folk, but they got it all from George Borrow. I've written to London for his "Romany Rye" published in 1851 I think, and for his "Gitanjali" the Gypsy folk, and another called "La Zingari"— I think. When they come I shall send them on to you. I think that Kipling learned his Romany from these works if I'm not mistaken.

The eight Buddhist signs I have not forgotten. The best book on the subject is Waddell's "Lamaism of Tibet"— now out of print. But even that gives no explanation. I have one however, and shall send it to you. I had not forgotten that I had promised to do this, and have long been on the lookout for information.

You are in Agra. I had thought of you as beyond that stage, for the full moon has gone now and some days ago I had pictured you by the Taj and wished that I might have seen it with you. I wonder if you felt a lump in your throat— I did, even in imagination.

The days drag a little Princess— I want to meet you in the spring and all my hopes have been built on that— but now I don't know. This game is so complicated and I've got to stay until I can honestly leave— which may be months and may be weeks only. The uncertainty is depressing and nerve-racking. I wish that you could have come back here, but I suppose I might as well have cried for the moon. Why is that such a useless prayer I wonder, for the moon seems a fairly friendly person—?

It is very late— We have all been dining with the Max Bullers— At the British Legation and had a very amusing evening. I send you the menu, which wasn't a menu at all, but which fooled the Frenchmen beautifully. They couldn't understand why they had fish instead of melon.

I hope all goes well with you. Good night— goodnight Princess. Thank you again, and I hope and pray that it may be a Bluest.

Yours,

[Signature]

This being Tuesday morning the First of February, I've abandoned the other pen as entirely too heavy for my light Italian hand— What do you think?

Having despatched large quantities of official mail yesterday by the fast train I sent an engineer to find and estimate on an ice free part that shall rival Dalby— and had your blessing on my increasing age— I feel almost a man now. Up to date I've always had a secret and irrepressible feeling that I had managed to fool folk into thinking that I was serious when I really wasn't at all. Do you think Princess, that
when one is thirty , one should become very serious? But that is a degression and not at all serious. What I was going to say was that all those things being thus, I should laugh at my Chinese teacher in the face-ask my journal for back in the drawer and visualising yourself, open a page of Waddell: You should not know that however - to discuss the Eight Precious Things. I know more than that but that is neither here nor there.

You'll probably answer back that "Silence is Golden" and wonder I didn't go on with my knitting. I really think it's the new pen if you ask me.

The Golden Fishes- The Thibetans suppose that a golden fish is hidden in the depths of Tosa-nor -- and Mr. Rockhill was supposed to have captured it. These fishes are also supposed to represent the Kidneys - the Eight Precious Things, each representing some organ of the body. The fishes are thus the seat of the imagination, or "Mona vivida Spiritu".

The Umbrella- Buddha was "Lord of the White Umbrella". This is the liver which is shaped like an umbrella and which, in the Chinese idea, is in our own, is the organ "producing angry".

The vase - This the Chinese believe represents the stomach - the seat of the digestion.

The Lotus- This represents the heart. You know the story of the Lotus. This theatre organ that produces "sleeping, angering, weeping and laughing should it not work regularly then the whole body will be felt sick"

The Lucky Diagram. The Large intestines.

The victorious banner- also an Umbrella Form known too as the lid- (Buddha is supposed to have sat on this) hence the expression in the vernacular, This "are the organs for breathing and also producing phlegm and coughs."

The Jonah shell trumpet of Victory- supposed too to represent the small intestine.

The wheel - not the kind you thought at Kandoo - that you'd like to play, nor yet the Putnam or Public Varieties. This represents the spleen - (so does the Putnam) It is shaped like the pendulum of a clock. "It is moving continuously. When a man has eaten his food, his spleen must move so as to have all things eaten digested."

In addition there are the Five Sensuous offerings- bowls of different shapes to contain butter forms-oxes and grain. The "Seven Personal Gems".

1. The sword jewel - which confers invincibility.
2. The snake-skin jewel- ten miles long by five broad - rather a python! which water cannot wet. (That is distinctively a Thibetan idea of beautitude)- nor the wind shake (needed in baking those days) and which warms in cold weather, and cools in hot. (No old essence) and shines brighter than the moon. (Hence the expression "Lit")
3. The Palace Jewel-
5. The Robes.
6. The Bed-Jewel
7. The Shoe Jewel - (Sorosis) Conveys the wearer one hundred miles without fatigue and without wetting the feet.
Four of these with the "Royal Umbrella"- make the "Five Royal Insignia".

Then there are the Eight Glorious offerings.

Do you wish to know all about these things, or are you bored? I probably am; for its doubtless very hot, and the butterflies are singing and the alligators crocking- they do, dont they? and you probably have discovered all these things for yourself at Barjessina and are now immersed in the history of Ceylon - Sir Stamford Raffles - the Battle off Point de Galle- and the menu of the Galle Face Hotel. Then I was there, it was very bad- but the jolting of the carriages gave one an appetite.

It's quite difficult for me to stop chattering. How soon ever.

Thank you again Princess, and Good Morrow.

W.S.
Goodnight Princess— Fare thee well— such is the last word from the habitation you have made blessed.

W.S.

February 5th.

Princess:-

This is the first word from the Sanctuary. It's now very late again, for I dined and danced at the Legation, and then took Prather home in the carriage. The troubles of moving are many—the principal one that I have found has been my bath tub. In my haste to dress for dinner I jumped gaily in-thinking it white enamel. When I tried to rise I found that it was white paint and soft. I now feel like a piece of Tanglefoot, for I had no time for alcohol or turpentine—or no alcohol or turpentine either. It's very sad—and expressly sticky.

The Buddha stands on the mantel—the senses are swinging. They were the last things that I brought from the Legation, and I burned a last prayer to you—to the room that had so many memories, before I left—then took them all away, leaving the scroll to guard, till Prather leaves.

You were our only house party—and I wish that you were coming back to christen the new house. As I have told you it is yours. The rugs have the character "shout" as have the curtains—and I hope that the soft greens and reds and browns would suit you.

Goodnight Princess—

W.S.
Shanghai,
5th Feb.1910.

My dear Straightly,

Of all the deeds that British foreign policy, save the mark, doeth under the sun, and by grace of this rotten so-called Government of ours, I, for one, am heartily and wholly ashamed. What you tell me of our Legation's proceedings in re the Kistichor line and the gratuitous boot-licking (the only work we seem capable of) that we have done for the Japs, is enough to make one despair of the State. You are quite right in your conclusion that there is not much to be gained by trying to work with or through us, and I can only hope that Jordans gratuitous intervention on behalf of the ally may be as useless as his ordinary diplomatic excursions. Will he, I wonder, put in a word for the Russians also? If not, why not?

I cannot get out of my mind that it is only four months ago since Grey told Rockhill, and Chito approved of the pact, that England would do everything in her power to work with the U.S. for the development of joint enterprises in Manchuria, and for the open door. Now the Times says, practically, that the open door and the sovereignty of China were never meant to be anything but sham, and the sooner we face it the better. It makes me sick. If any nation that has "grain facts" to produce, is entitled to break its Treaties and its faith, and if we are to applaud this line of action, what price the Hague and all the rest of the pious flap-doodle in which we Anglo-Saxons have professed to believe?

We will talk anon. I am planning to spend two days in Tientsin on our way to Harbin, and we ought to be there about the 19th. We go to Harbin by the express of the BLT. I hope you can get down and have a final quack. Strench is coming if, as I hope, he is well enough.

As to the Books for the Bend-Whitney party, I am really not in the mood, nor have I the time, for pretty inscriptions, but if you will get the copies ready, the T'jin Press will supply them and bring them, or send them, to Tientsin on the 20th inst, I will there do the needful. Here I am simply up to my eyes in work, and don't know how I shall ever get through.

Love to Prather. He is one of the few bright spots in a mouldy world. Don't let this heart-cry go beyond your own portals.

Thine,

[Signature]

The Willard Straight Papers at Cornell University
Louisville, Kentucky
1215 South Ave
February 7, 1910

My dear Mr. Straight,

My crippled hand still afflicted with rheumatic fever presented an uncertain safety. It was a great pleasure to hear from you. Your father had great ability as a scientist - your mother as a literary interpreter of great authors. They were for expansion in refinement and culture to any other member of the Faculty. I saw that at once and regretted this narrow trigon. One day you
A woman took him out for a walk and invited me. It had been raining and we came to a large pond with miniature replicas of famous sites. She stopped and gave me a charming geography lesson, helping me to recognize the great manifesting itself in this spontaneous way.

Another time she came to see a lecture in his class room in comparative anatomy. He took a class of small boys and girls, showed them a single section of a fish from his blackboard plate, and asked them to notice the colors carefully and to report the room four weeks to come with their findings. They started out so enthusiastically as if they were playing a game, staking all and even

to make comparisons. As he took them under the supervision of a whole section and his joy was equal to theirs, he had said: I call response – a response for truth. He was transformed by lack of money and his salary was faithfully inaugurated

A woman mother was not taken, but by the sudden interest in Shakespeare she led a class of adults students in the study of the first dramatic text. She invited me to these evenings. It was an intoxicating privilege. They sat about a long table, each with a tall book and the answer and student as a paragraph was read to everyone and all as if it were a matter of current interest to be intrenched on the brain of new, more common sense and unworn judgment. This seemed to me wise and admirable
and was a challenge to such mental thought. I spent the in the time of my visit with your parents, including my training place in the village for that purpose on their town invitations, and in the hospital department where they lived. Your older brother and she had been saved by a Parsonic grand mother who looked so calm all the sound structures of significance, and that this affection had been one of the interests and much sought experience of hers, making her atmosphere in all her social relations with the sound have been fine and joyous and spontaneous. She confided this to me because I was old enough to be the wisdom and full of sympathy and love and admiration for her; and kind of the end nothing through torture, health, and then I took you all too.

Louisville, Kentucky

Dear Mr. Straight, you are young. I know not what you may do - but if similar gifts in other teachers should be encouraged - and you should know if it gives your sympathy and if possible more than sympathy to the cause. Dr. Lowell and his family came here a few years ago last fall. He is the greatest Shakespearean in America to-day and taking the Chair of English in a new undertaking - the University of Louisville.

He has a family of five. His salary is fifteen hundred! He had invested all his money $14,000 with a gain.
Doubleday Page & Co. to bring out volume by volume his Elizabethan Shakespeare, giving the exact primitive meaning of each word. The contract was not wit-nessed, thus no record for the first volume issued, and he was left stranded. His wife's mother was sick, they had begged him to give up a lucrative claim and devote himself to the writing of his Shakespeare. She paid all his living expenses. She had her way, but died soon after the publishers failed to sell his work. In the charity of Mrs. Lieblich, she paid out her stock. Her mother's lawyer, a Trustee, had invested her entire income in Kansas farm mortgage. Kansas repudiated the mortgage, and the Lieblich were left with nothing.

Knowing his打响 achievement, the Dean of the new university urged him to come here—fear that the institution would succeed. He too rich other Dr. L. to relieve him from his third year. The engagement was for three years, there being no prospect of a con- tinuance, and he is upset.
February 15th, 1910.

My dear Carr:

It was a great pleasure to hear from you, and your letter was all the more appreciated as I well know how busy you are. You may be called Chief Clerk or General Director of the Consular Body, or High Cookalorum of the Foreign Service, which ever suits you best, but I am perfectly sure that you will continue to be the mainstay of the Department and to do all the things that others ought to. I trust that you have overcome that reprehensible night-riding of yours. Your conduct was an inspiration, but not, I regret to say, an example.

The Departmental reorganization is a splendid thing and you certainly need improved machinery if the Secretary is determined to continue to monkey with the international buzz-saw, as in the case of the Manchurian neutralization, which still keeps the Far East in an uproar. I shall be much pleased to have the Diplomatic "Who's Who."

You, like myself, I know, are saying "I told you so" about Wilson. Don't let him work too hard or drive poor Zelaya entirely off the map.

Here we are working along. The Hukouang loan emerges from its moribund state every now and then, to stir up a little flutter amongst my colleagues. The French, German and British representatives have protested against a recent Edict, referring a petition from the Gentry to the Board of Communications, but if the Chinese are wise they will put a stop to this masquerade by asking whether the Groups are ready to sign, which they are.
not. England I firmly believe has resolved to keep Germany out of the Yangtse and she will wreck the loan if she can do so without having to bear too much of the onus of her action. The Chinsho-Algun project is, as you can imagine, much nearer my heart. Russia and Japan have been pretty well smoked out by the Knox Proposals and I hope that their objections to our railway may be met in a mutually satisfactory manner. There is but little use in going into a detailed resume of the situation as you doubtless know it by heart already and any contribution of this sort would be very stale o'ere it reached you. I am a little in the air myself at the moment as it is Diplomatic Day and the Russians and Japanese have both been at the Wai Wu Pu, while I am waiting for my appointment, a half hour hence with the President thereof.

Fletcher is much pleased with his promotion. I assure that it is well deserved and much as you may appreciate the character of his work at the Department, I, all friend "piggin" aside, assure you that you know but half, for he has literally eaten, slept, and lived his job during these past months.

I hear that Fisher has been appointed to Mukden. I am very glad. He is the best man you could send. I hope that you will send him out with good equipment, in the furniture line. I've never heard anything more about my things but they have been in continuous use at Mukden, for it would have been too hard on Paddock and poor Johnson to have to purchase an outfit. Cloud had nothing practically save the table and six chairs that I understand he called a "dining room set."

This means I presume that I am out of the service for good. I am rather sorry, very sorry in fact, but I assure you I shall go to Paris and study art before I will ever take a Consular Examination. Seriously, however, I should be greatly obliged if you would let me know what, if anything, has become of the plan that I should return to the Department. I am not wedded to this game you know and might be very glad, once we settle the Mukang and the Chinsho Loans, and the group is fairly well started so that it can send out a regular banker to return to the fold. Such was the original plan and I have not changed my views regarding the pursuit of Diplomatic Eudos and Mussom.

I must be off, with warmest regards, believe me,

Yours sincerely,

WILLARD STRAIGHT.

The Honorable
Wilbur F. Carr.

etc. etc. etc.

THE DEPARTMENT OF STATE.
February 16th, 1910.

Dear Davison:

Very many thanks for your letter of January 8th. I thoroughly understand the disgust and disappointment which you have felt regarding this China situation, and confess that I believe you are an optimist to have the feeling you mention in the back of your head. I have it myself but then I have been sitting in this game of procrastination and delay and political intrigue so long that I am not insured to sharp and clean business transactions. I should rather like to try them some day to see what it feels like to be able settle not one but many affairs in a day.

I shall go as quietly as possible in the expense line, for I quite appreciate the views you express in this regard. I do however believe that as long as the Group is in the game it should do the trick as well or better than any of them. The others all have fine foreign style buildings, the Mandarins run to carriages and now and then to long official cretids, and in addition have the prestige acquired by many years residence. We do not wish to handle any of the officials credit mentioned. It was hinted, however, that the Chino-hou deal would have been pushed more rapidly if certain high officials were squared. We must, however, I think be prepared to wait a little and, even in the face of circumstances such as we have faced for the past six months, put forward every brave front and play the game until we become part of the landscape. As I have written you before, the others have all waited one, two, and three years before having anything at all to do. The Chinese have to an extent, and in this everyone here agrees, that we have done better than any that ever started for we hold a pretty commanding position even after the short time we have been in the field. It should be remembered that like the new boy at school we have had to establish ourselves by taking on the bullies of the place. In the Bundang, although there is no business as yet, the Group held up England, France, and Germany, and in the Chinhon - Algan, we are now grappling with Japan and Russia, so that when the smoke clears away our position should be firmly established.

I am hoping to have your authorization to proceed at once with the negotiation of the Chin-Ai detailed agreement, and hope that we can pull it out under the noses of Russia and Japan. If we can induce the Viceroy to sign up and then have China approve Russian and Japanese participation in principal, the British and American Governments doing likewise, not referring Japan and Russia to the Group and Felings for discussion of details, we ought to be able to trim them. As I have intimated before it seems to me that the action of these two powers is nothing less than blackmail. Either they have political rights to stop the railway - which we cannot admit - or else they have not, in which case they are not warranted in demanding participation, Manchurian Justice, however has more than one blind eye.

The Chinese are pretty sick with the whole Knox proposal, kkkkkkk. They can only see that they are farther in than they were before, and are not far sighted enough to realize that it's better to cut out a rotten spot in an apple even though it be a big one, than to go on in blissful ignorance or wilful blindness until the entire fruit is spoiled.

Geese have arrived and is living here in the new house where I have been installed for ten days, with the usual accomplishments of wet-painted bathtubs, smoking chimneys, and damp plaster. Everything will work out however. He seems a verynice chap and will soon catch on. There is a great deal of work to be done and I am glad he has arrived at last as it will relieve me of this typewriting which I detest.

We are having a grand opening on the 25th, beginning really the 23rd, when ladies come. On the 25th, we have three live Princes, in uniform, THREE Presidents of Boards, THREE Foreign Affairs, Finance, Communications, FIVE Ministers, FIVE, France, Germany, Russia, Japan, Austria, and Charges d'Affaires, Secretaries of Legation, Bankers, Customs officials, etc. all in evening dress. Costumes not by Worth, and wines furnished by J. P. Morgan & Co. of New York. The Regent's Brother is coming, and inasmuch as this is the first time that such a distinguished company has been entertained by High Finance in this country, the Group should gain a great deal of "face". Such things count for a great deal with the Chinese, and are worth the cutlery.

Trusting that by this time you will have acquired control over the few remaining Trust Companies, Insurance Companies and Surface Traction concerns, believe me, with kindest regards,

Yours sincerely,

[signature]

H. P. Davison, Esquire,
New York.
Chinoshen-Aigun Railway
Peking, China
February 10th, '10.

Letter No. 66
File No. 2/06/65.
Messrs. J. P. Morgan & Co.,
For the American Group,
No. 23 Wall Street,
New York City.

Gentlemen:

Referring to my telegram fifty-one, fifty-three and fifty-four and to your cables twenty-nine, thirty and thirty-two regarding the Chinoshen-Aigun Railway, I beg to report that I have been aware of the action of the Russian and Japanese Ministers in formally advising China that their Governments desired to be consulted before the conclusion of the detailed agreement for this railway. The British Chargé d'Affaires, under instructions from London, moreover, has advised China to consult Russia, and the British Minister, as already reported, has urged China to admit Japanese participation. In consequence the Chinese are much disturbed. They, not un-naturally, feel that Great Britain has evinced no desire to support Pauling & Co's interest in the contract and are much concerned on account of the rapprochement between Japan and Russia which has been, up to the present time, the most notable result of the Knox Proposals.

We have endeavored, however, to reassure the Chinese

E. J. P. M. & Co.

Chinese and have pointed out that we are making every effort to overcome Russo-Japanese opposition to the railway and to obtain from Russia and Japan a definite statement of their requirements. Lord Alfred informs me that he gathers from the British Chargé d'Affaires and letters from London, that Great Britain has used her good offices on behalf of Japan and Russia in order, the more easily, to induce these powers to place their demands on a definite basis.

His Excellency Liang Tung Yen, yesterday, informed me that Japan had presented her demands; is desirous to participate in the financing, to share in the sale of materials and in construction work, and to have a number of Japanese engineers employed on the line. Japan also requests that China agree to construct a line connecting the Chinoshen-Aigun and South Manchurian Railways between such points and at such time as China and Japan shall agree. I understand that Japan has stated that she will expect such measure of participation as may be acceptable to the interested nations.

I have had several conversations with the Russian Minister regarding this matter. He has not yet, however, made a statement of the requirements of his Government. He, at one time, suggested that Russia secure control of the Tientsin-Aigun section. This, I pointed out, was quite impossible as we could hardly adum the right of Russia to exercise control which we, the lenders, did not claim.
Mr. Korostovets desired the "open door" as an obvious issue and took pains to explain why the declarations of the Portsmouth Treaty regarding the integrity of China and equality of commercial opportunity in Manchuria were not worth the paper on which they were written. His point of view was interesting, but I am inclined to feel that his attitude is largely "bluff" and that Russia, in creating these difficulties, is endeavoring to regain a portion of her ante-bellum prestige. I cannot but feel that it would be possible to induce the Russians to come to some reasonable agreement regarding the Chihli-Shen line and to discontinue their present unnatural cooperation with Japan.

As I have already cabled you, the Viceroy in, at present, anxious to open negotiations for the detailed agreement. Upon receipt of your authorization to do so I shall submit a draft for his approval and subject to your instructions shall endeavor to obtain his signature irrespective of the attitude of Russia and Japan. It may be necessary to carry on these negotiations unknown to the Central Government as much as Liang informs me that the Foreign Office will take no further steps until acquainted with the Japanese requirements.

I have suggested to Liang that when Russia's demands are known he should inform the Russian and Japanese Governments that China has no objection in principle to Russian and Japanese participation provided Great Britain and the United States agree.

This being the case, it would seem sensible that the British and American Governments should also approve such participation in principle and seek the Russian and Japanese interests represented by the American group and Pauling & Co., for a discussion at the present in which their participation will be granted.

There would seem to be little difficulty in admitting Russia and Japan in a share in financing the line. It would seem impracticable, however, to surrender a portion of the contract work or to negotiate that Russian and Japanese engineers should be employed by the Contractors. I take it for granted, however, that even if Russia and Japan do participate in financing the line they will not be entitled to any of the advantages which we derive under our private arrangement with Pauling & Company.

The only plan which suggests itself to me is that the Manchuria-Chinese stock should be made use of to a certain extent in handling freightation accounts and that certain mutually advantageous traffic arrangements should be made with the Chinese Eastern Railway. It might also be possible to come to some understanding with Russia and China regarding the financing and construction of the Kalgan-Urga-Khongor Railway.

In dealing with Japan, in addition to giving certain financial participation it might be possible for Pauling & Company to arrange to give certain sub-contracts.
to Japanese providing their terms were no higher than those of other bidders. Japan also might secure the construction contract for one-half of the line which will eventually connect the Chinchou-Aigun with the South Manchuria Railway.

It would be desirable in discussing these points with Russia and Japan to suggest as a counter-irritant that in return for granting this participation in the Chinchou-Aigun Railway the Group and Pauling & Company should be entitled to participation in construction work and financing to be undertaken by Japan and Russia in Manchuria.

Yours truly,

[Signature]

Copy to E. C. Grenfell, Esq.

February 16th, 1910.

The Honorable
The Secretary of State,
Washington, D. C.

Sir:-

We quote below a telegram received yesterday from Mr. W. D. Straight, his number fifty-four, and we enclose a copy of his suggestion for the detailed agreement covering the Chinchou-Aigun Loan.

"Fifty-four. Viceroy of Manchuria very desirous immediately secretly negotiate detailed agreement. stop. Under the circumstances we must believe very desirable accomplishment as much as possible while governments wrangle. stop. Refer to our letter of 17th January, tentative agreement; can it be submitted Viceroy of Manchuria as basis said (detailed agreement) stop. Slight alterations should have been received London".

We realize that most of the matters presented in this agreement are subjects for consideration and decision of the Group; since, however, it may be possible that we may eventually have to invoke your assistance in connection with this contract we think it proper to submit the suggested agreement to you for any comments which you may make and that we may embody in the final agreement any changes which you may direct.

Very truly yours,

[Signature]

Enclosure: Copy of suggested detailed agreement for Chinchou-Aigun Ry.
February 17th, ’10.

Bert Hanson, Esq.,
Treasurer, Cornell University Club,
65 Park Avenue,
New York City.

Dear Sir:

I beg to acknowledge receipt of bill amounting to $10.00 for my half-yearly dues as a Resident Member of the Cornell University Club, and take pleasure in enclosing hereewith my personal check for $9.41 and the dividend check which you so kindly enclosed with bill for dues, amounting to fifty-six cents, which I have endorsed. The total of the two checks covers the amount of my half-yearly dues.

I think, if you will look in the club books, you will find that my initiation fee has been paid.

The $3.85 which you have charged to my account was covered by my personal check on the fifth day of August, 1909, as I have not been to the club since.

Very truly yours,

[Signature]

End
and General Viscount Saga (one of distinguished Generals in House of Peers of Japanese Nobility). Thoughts on the meeting was kept with secret. General number is that at least Japan should be added to the construction of Kinchon-Higan railroad with the following items:

- Supplying of railway materials
- Employment of engineers
- Participation of engineering work
- Constructing right telegraph from Teeling to the trunk line.

I do not persist firmly that some part of railroad capital should be participatory by Japanese Government.

Since I have received your kind intelligence to export railroad material to China, I am now to be settled an arrangement with one of great lumber company according the President of Japan. The Company can supply very easy about ten million of sleeper yearly if it is to be set further with the Portland cement. I am intending to export best quality. As early preparations are provided, I shall start to China soon, and I trust at this occasion you should be able to give much convenience to me.

I must beg, do you deeply to acknowledge that, on my personal inclination, though I am a Japanese in nationality, but self-confident myself being a public man of the world, I of equality and liberty of human right I am always appreciate American thought. Go Heavily pray hearty American victory not only in Manchuria but all over the world.

In conclusion of this letter, it will be most interest to understand that the great EQUITABLE
Hereafter shall be control by J. P. Morgan & Co. I do not
know in detail of its consequences but according to Harper's Monthly
Mr. Thomas Ryan one of Directors put all his stocks of Equitable which he got from
Kings Hyde to the shares of Morgan & Co. for safety of Equi-
table. The Equitable is absorbing more than half
millions of gold annually for
Japanese Policy holder at
present Mr. Hamilton our
general manager for Far East
has started to 1 America last
week.

yours truly

Bush T. Sugiyama

New York.
February 19th, 1910.

J. P. Morgan & Co.
For the American Group,
No. 23 Wall Street,
New York City.

Gentlemen:

Referring to my telegram number fifty-eight
of even date, Mr. Ginnell is now preparing his construction
contract and it will be desirable for the Group to decide
upon what arrangement it desires to make to insure the use
of American materials on the new road.

Mr. Ginnell informs me that he considers it
advisable, once the contract is signed, to place orders for a
large quantity of rails and possibly to subcontract for the
two largest bridges on the line across the Pa-Ling and Hsiao
rivers. He suggests that this bridge construction might be
undertaken by some American bridge company. The United States
Steel Products Company's engineer, Mr. Dietrich, is at present
in Peking and has made inquiries regarding the advisability of
locating a man here, while a Mr. White who represents the
J. C. Brill Company and certain other American manufacturers
of rolling stock, and who is also working in connection with
Shaw, Ames & Company, expects to establish himself here,
I deem it highly desirable that the Group take steps as
soon as possible to establish relations with

The Willard Straight Papers at Cornell University
some selling organization in order to gain the profits to be derived from the sale of railway materials. In this connection I will refer you to my letters twenty-six and thirty-nine.

Yours truly,

2/3

S. & B.
First National Bank
Feb. 21, 1910

New York

Dear Sirs:

We beg to acknowledge receipt of your favor of the 15th instant, enclosing various correspondence and agreements with reference to the Chinese business.

Yours very truly,

O. W. Harbison
Asst. Cashier.

[Stamp: 17]
Chihli-Changhsu Railway, New York.

Letter No. 78
File 2/68/78.

Messrs. J. P. Morgan & Co.,
For the American Group,
No. 23 Wall Street,
New York City.

Gentlemen:-

Referring to your cable number thirty-five suggesting changes in the draft final agreement for the Chihli-Changhsu Railway I shall endeavor, as far as possible, to secure Chinese acquiescence in your ideas.

As I am telegraphing you today, it is probable that upon receipt of my second draft forwarded on January 26th and somewhat amended on January 28th, you will find further changes desirable.

I shall endeavor to secure from the Viceroy of Nan-Cha a definite pledge regarding the provincial revenues which shall be devoted to the service of the line in case the railway receipts prove insufficient. Provincial and other revenues in the past, however, have usually been pledged as security for railway loans only when the line itself was not mortgaged. An attempt to secure the mortgage on the line and the specific pledging of provincial revenues as well may meet with opposition as the Chinese may feel that their engagements under Article III and Article IX, Sections one and two (draft of January 26th) are quite sufficient. It may be unwise, therefore, to insist upon further commitment.

I shall, however, endeavor to introduce into Article III an additional provision based upon Articles VIII and IX of the Hankow Agreement of June 28th, 1909.

As we do not, at present, know what branch lines the Chinese may wish to construct it would seem impossible that such potential roads should be covered by the mortgage given under this contract or that any limitations should be fixed on their cost under this instrument. It would be possible, however, to add to Article XIX (draft of January 26th) a provision stipulating that the terms of supplementary loans for the construction of branch lines should be not less favorable than those entered into under the Chin-shu Agreement.

Refer to Article VII, draft of January 27th,
(Article VII, draft of January 26th) at what place do you wish the purchase price made payable and what phraseology do you desire used in making this stipulation?

Refer to Article VII, draft January 27th,
(Article VII, draft of January 28th) as I am writing you today, in view of the attitude of Russia and Japan it would seem desirable to adhere to the original text of section one rather than to enumerate the various countries as suggested by you. After the word "Group" however, on line three, the words "and its associates" should be inserted. In this I shall be guided by your instructions.

Refer to Article VIII, Draft of January 27th,
3- J. P. M. & Co.
(Article IX, Draft of January 26th) As wired today, owing to the fluctuations in silver exchange it is customary in the service of Chinese Railway Loans to transfer all funds by cable. Any other procedure might prove highly unprofitable.

The other changes which you have suggested will be inserted in the draft agreement and I shall endeavor to secure their adoption by the Chinese.

I understand the Russian demands have now been formulated, that they are unreasonable. I gather that the British Government may attempt to secure their modification. As already suggested I believe it desirable to secure a conference between the Group, Paulings and the Russian and Japanese interests as soon as the Russian demands are made known.

It may even be found expedient to approach the Russian Ministers of Foreign Affairs and Finance prior to the presentation of the Russian demands. Such a course might result in an understanding which would facilitate the negotiations for Russian participation, and in view of the correspondeces between Mr. Harriman and M. Koestlin it might be possible for the Group to avail itself of the latter's good offices, which would be valuable.

Lord Fisher and myself feel that, under certain circumstances, it may be desirable for me to proceed to Petersburg and Paris in order to clear up the situation. Should developments seem to necessitate such a step

4- J. P. M. & Co.

I shall communicate with you by cable.

Any action which I might take in this regard would be with the advice of Mr. Fletcher.

As cabled you today, Lord Fisher and myself are anxiously awaiting word from the Group and Paulings advising that a definite understanding has been reached. This settlement must necessarily be precedent to any arrangement between us giving the Group control of the purchase of American materials to be used on the Chinchous-Aigun railway, and I believe that the details regarding such transaction, as well as the other matter concerning the nature of the construction contract can best be settled in London.

Yours truly,

[Signature]

Copy to E. O. Grenfell, Esq.
It's many a long day since I've had a word from you. The Elder One received a line from Miss Bend written from Calcutta, and being as how I had mailed many epistles from the Phasiona and the South was beyond words awful, and I had fears that my missives might have gone astray.

Then Miss Bend wrote that the hot weather had been telling on you. I am very sorry and hope that by the time this reaches you, you will be quite yourself. That's a nice speech, isn't it? About page II in the Book of Polite Letter Writing, but what can I say? I mean it.

The world drags along. Russians and Japanese spoons disturb and at the same time lend flavor to the mess of pottage that simmers on the diplomatic stove. We are not doing a land office business in birth rights, however, or even railway concessions. Sometimes it looks as if I'd be off in a week to a conference in Europe and sometimes I see the summer gone and go and the autumn haze glow again before I can—what? To tell you the truth I don't know unless it be before I can run to the continent—perhaps to New York to drop a few words of wisdom in the ears of the mighty—and to have—trust a few days with you, the Travelers. Après sa le Deluge, Pekin—which is no farther along than the starting point, with another memory and a few thousand miles from the Pass Book of Life.

However—there seems no reason why I should wander in such vein when the sun is flecked in the courtyard—the very early sparrows are twittering—the stenographer is waiting for a dictation (she is a brunette) and tout-le-monde is dining here tonight for a house warming. It's one of the contrarities of human nature, I suppose. Funny thing, isn't it—and what a wise man was Kipling when he wrote

"—and sat beside and watched myself.

Bel'avin like a bloomin' fool"

not that that is particularly apropos—at least I hope not—but the "sat beside" is
Dear Davison:

We are anxiously awaiting details of your changes in the draft agreement of January 26th as the Viceroy is getting restive, and telegraphing us to hurry.

I do not, of course, know what arrangements you have made in the New York office for handling my letters and telegrams as they come in. It has seemed to me in the last ten days that my messages must have been stupidly incomplete, for they were apparently misunderstood, or at least not fully comprehended. I refer particularly to the question of the "operating company" and "profit sharing" clauses. In my covering letter of January 17th I anticipated the necessity of omitting them. This was confirmed by my cables of the 21st and 22nd of January. Then in telegraphically referring to the draft of January 17th I stated that it had been amended and that the amendments must have reached London, thinking that you would probably wish to wire for them. Instead, however, your long cable thirty-five took it for granted that these two clauses could still be included, or at least could be submitted to the Viceroy in the first draft. I am sorry that my message should not have been more definite, but in endeavoring to curtail costs I fear they must have been too sketchy.

As wired you already, by insisting upon embodying these two clauses in the Draft which we submit to the Viceroy we would run a serious risk. Japan and Russia would probably find it out and would certainly claim equal consideration. The Chinese would refuse to give them any measure of control, and the whole enterprise might be wrecked. It is necessary, therefore, to make the railway as much Chinese as possible, to make the letter from the Viceroy to ourselves a secret document, and to have our special privileges as regards materials known only to Paulings and ourselves. Otherwise there will be trouble.

The Russians still seem unwilling to make any definite statement. I have had several conversations with the Minister who seems more reasonable, and with the Bank Manager. I have urged the latter to arrange that his Government will take no exorbitant claims, and have suggested that Russia should be supplied with a share in the finance and exchange business for the Russo-Chinese Bank. This would knock the ground from under the Japanese claim and Russians, Americans, British and Chinese might then come to an understanding about the railway from Peking, and Kalgan to Urga and Kiachta. He said he would see what could be done. I am not very sanguine, however.

As you know, the Banque du Nord now controls the Russo-Chinese Bank and I am cabling today suggesting that Mr. Noetzlin of Paris be urged to make some arrangements, if possible, along the lines discussed by Mr. Harriman and himself.

I am very sorry that I cannot be in two places at the same time for I believe that I could be of service in Europe or New York at the present moment. I do not dare leave until this detailed agreement is a little farther along. If, however, the Viceroy is willing to close at once, as he was in the case of the Preliminary contract,
I feel that, subject of course to your judgment, it would be wise for me to leave things here in the hands of French and Menocal or Geare, as American figure-heads, and myself hurry to the Continent.

There are very many things that should be settled and which cannot, as far as I can see, be handled without special knowledge of present political conditions here.

Bland has gone home, and would gladly assist you in any unofficial way. He knows conditions thoroughly but is a little too anti-German to be entirely sound on certain points.

Our opening went off most successfully and we gained great "face" with the Chinese.

With kindest regards,

Sincerely yours,

H. P. Davison, Esquire,
No. 23 Wall Street,
New York City.