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# 中華民國史史料外編

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# Red Mission Protests Cancellation Of Bonds

Objects To Exchange Of Bonds  
Of Chinese Reorganisation  
Loan Of 1913

## IMPORTANT ISSUE

Decision Of Chinese Government  
Declared Illegal And  
Non-Valid

(Rosa Service)

Peking, Feb. 23:—The Russian Soviet Mission sent to the Ministry of Foreign Affairs a memorandum on the 20th instant in connection with the Russian portion of the Chinese Reorganization Loan of 1913. The full text follows:

"On December 15, 1922, there was published in the Peking newspapers an announcement of the Chinese Government to the effect that the Chinese Government decided to exchange bonds of the Russian issue of the Chinese Reorganization Loan of 1913 by new identical bonds of a different colour. Therefore the first issue, according to the announcement, is annulled. The bonds must be accompanied by necessary documents proving legitimate ownership as well as the origin of the bonds, viz. "proving that the bonds are not part of those which have been seized in Russia."

### Examination Of Documents

"The examination of documents attached to the bonds presented for exchange will be made by a representative of the Chinese Government together with a representative of the Paris branch of the Russo-Asiatic Bank. The said announcement refers only to a portion of the Reorganization Loan,

No. 586668-725556, including also provisional certificates which have not yet been exchanged against definite bonds.

"The said announcement of the Chinese Government is even more definite than the former circular decision dated January 24, 1922, and repeated on April 18, 1922, on the non-payment of coupons of the same Reorganization Loan of 1913.

"The Extraordinary Plenipotentiary Mission has the honour to draw the attention of the Ministry of Foreign Affairs to the following: The Russian laws on the Nationalization of Banks united all private Banks with the State Bank and the latter accepted on its balance all the actives and passives of the liquidated credit enterprises. The Branches of the Russo-Asiatic Bank were not exempted from these laws and therefore their actives also have been transferred in succession to the State Bank.

### Unfriendly Act

"The loan of 1913 was realized in Russia by a group of Banks with the Russo-Asiatic Bank at the head to the amount of 26,305,576 roubles and 60 kopeks. Consequently the said announcement appears to be a distinctly unfriendly act of the Chinese Government towards Russia as she is the principal holder of the bonds of the Loan, the more so because the announcement of the Chinese Government contains a direct indication that these bonds "have been seized in Russia."

"The exchange of the bonds and provisional certificates introduced since December 1, 1922, refers practically only to the bonds presented by the Russian White emigrants and different banks which did not recognize the decree of Nationalization. At the examination of the documents

目 要

there will be present an illegal representative of the Russo-Asiatic Bank rendering assistance to the Chinese Government whereas the Bank itself, in contradiction to its statute of July 20, 1910, was re-constructed and has now its Board of Directors at Paris.

The Extraordinary Plenipotentiary Mission considers it necessary to point out that the only competent body in the question of liquidation of the Russian portion of the Reorganisation

Loan is the Russian Government, without which all settlements in this respect are absolutely illegal.

#### One-sided Decision

"The one-sided decision of the Chinese Government without consent of the Russian Government cannot but call forth the most energetic protest on its behalf because this act annuls the bonds the holder of which is the Russian Government.

"While taking this question as one of those important issues which have to be settled on the coming Russo-Chinese Conference, the Extraordinary Plenipotentiary Mission cannot recognize the legality of such unilateral decision and considers it to be non-valid."

目 要

# CHINESE 1913 LOAN

NOV 22 1930—N.C.D.N.  
Question of the Yellow  
Bonds

## Confiscation by the Soviet

As some vague impressions seem to have been created by Reuter's cable concerning the question of yellow bonds of the 1913 loan, which was raised in Parliament the other day, the following explanation may be of interest.

The Reorganisation Loan was issued in 1913 for altogether £25,000,000 in the following proportions:—

In London	£7,416,680
„ Paris	7,416,660
„ Berlin	6,000,000
„ Petersburg	2,777,780
„ Brussels	1,388,880
	£25,000,000

All the scrip for these issues was printed in a uniform dull yellow. During the Russian revolution the new régime confiscated a large parcel of the Russian issue of these bonds, which had then been on deposit with the Russo-Asiatic Bank in Petersburg.

Payment on these particular bonds was stopped at the request of the Russo-Asiatic Bank as provisional certificates had already been sent out.

## The Subsequent Bonds

Holders of Russian scrip were requested to prove the bona fides of their ownership. Those who could successfully prove their title were given in exchange new Reorganisation bonds, printed in exactly the same style, but on a set-green background. The stolen (original bonds) were sold cheaply, but as the new owners could not prove their title, these bonds were considered as cancelled. The total amount is small, probably less than 5 per cent. of the entire issue.

It was with regard to those stolen yellow bonds of Russian issue only

that an inquiry was made this week in Parliament. The telegram to China despatched by Reuters was badly worded, inasmuch as it omitted the most important point (yellow bonds of Russian issue, previously advertised as stolen and cancelled). The news caused a heavy decline in quotations of Chinese bonds, a development which is entirely unjustified by the subject matter of the interpellation.

月 要

袁世凱大總統中華國民政府秘書長

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## THE SINO-GERMAN NEGOTIATIONS.

**THE** Chinese Premier, Mr. Sun Pao-chi, is reported to have communicated to Parliament on Saturday, details of the negotiations, which have been proceeding between the Deutsch-Asiatische Bank and the Ministry of Finance, in regard to the position of German Loans. A draft agreement, the details of which will be referred to later, has been concluded, and referred to Berlin for approval, and if this is obtained the agreement is to be referred to the Waichiaopu for final action. It seems desirable before commenting on the terms of the proposed agreement, to summarize what has happened in regard to German issues of Chinese Bonds since China's entry into the War. In June 1919 the Chiaotungpu notified the Foreign Legations that payment would be stopped on all Bonds of the German issues of the Tientsin-Pukow and Hukuang Railway Loans, which had not been presented for payment at the Hongkong and Shanghai Bank, in London between August 14, 1917 and April 2, 1919. Previous to this, on August 28th 1917 (a fortnight after China's declaration of war) payment was suspended on all German-issued Bonds of the Anglo-German Loans of 1896 and 1898, which were not at that time

the bonafide property of Allied or neutral holders. At the same time remittances to the German Bank for discharging obligations arising in connection with the Reorganization Loan of 1913 were transferred to the British, French, Russian and Japanese Banks which were parties to this Loan Contract.

It was, of course, not unreasonable that payment of Chinese Government obligations to Germans should be suspended while the two nations were at war. But it was

neither reasonable nor honest that such payment should be suspended, especially in the case of bearer bonds, after the conclusion of hostilities. The condition imposed by the Chinese Government for the fulfilment of its obligations in respect of the Anglo-German Loans of 1896 and 1898, the Tientsin-Pukow Loans of 1908 and 1910, the Hukuang Loan of 1911, and the Reorganization Loan of 1913, was that the holder must prove that they were in his possession, or that of an Allied or neutral person, previous to China's declaration of war. This was a condition with which, in the case of Bearer Bonds at any rate, it was frequently impossible to comply. For, as Mr. Lamont pointed out in a Memorandum which he submitted to the Chinese Government in April, 1920, Bonds and Coupons payable to bearer are treated almost in the same manner as Bank Notes. They pass from hand to hand, frequently without any record of transfer. And a person holding a Chinese Government obligation which states that it is "payable to bearer" acquires an absolute right to receive dividends and redemption payments thereon. The Reorganization Loan Bonds are not only issued in bearer form, but are redeemable at the option of the holder, by any of the issuing Banks, irrespective of the original place of issue. And the suspension of payment on the Chinese obligations above referred to, and the arbitrary decision of the Chinese Government to invalidate Bonds which were not certified by the Chinese Legation's Solicitors in London to comply with the conditions regarding non-German ownership, struck a most serious blow at Chinese credit. Under the Treaty of Versailles, moreover, the Reparations Commission was entitled to require the German Government to acquire possession of any rights and interests of German nationals in any public utility or in any concession operat-

月 要

ing in Russia, China, Turkey, Austria-Hungary and Bulgaria, and to transfer them to the Reparations Commission, a procedure which would be meaningless if China's right to invalidate all Bonds in German possession subsequent to August 13, 1917, were conceded. The attitude of the Chinese Government on the German Bonds question has antagonized the London and New York Stock Exchanges, has rendered the foreign investor suspicious of Chinese loans generally, and in the case of inhabitants of Alsace-Lorraine, whose French nationality has been restored since the signature of the Peace Treaty, has evoked strong protests from the French Government. The Loans affected amount in the aggregate to £71,000,000, of which £28,540,000 was issued by German Banks, £20,429,680 remaining unredeemed. Of the last named figure the Chinese Government has invalidated about £9,600,000. In most cases the money which should have been used for meeting obligations of German Bond issues has been diverted to other purposes. In the case of the Reorganization Loan, however, the sums due for interest and amortization have been paid into the Group Banks, and it is stated that the equivalent of \$16,000,000 has thus been accumulated in London.

The recent negotiations have been conducted, from the Chinese side, with a view to securing the release of this accumulated reserve for the financial requirements of the Peking Government. And the proposal, briefly, is that the German Government should assume responsibility for arrears and future payments arising out of China's commitments in respect of

the Reorganization, Tientsin-Pukow, and Hukuang Loans. Nothing is said about the Anglo-German Loans of 1896 and 1898, of which, as a matter of fact, £8,632,000 out of the outstanding German share of £8,888,700 has been validated.

It may be recalled, here, that by the Sino-German Commercial Agreement and the exchange of Notes in connection therewith, of May 20, 1921, the German Government undertook to pay an indemnity to China. The exact terms of this undertaking were as follows:

*The payment of an indemnity.* The statement in the German Declaration that Germany is prepared to reimburse the Chinese Government the expenses of the internment of German militaries in various camps of internment in China, is understood to mean that Germany, in addition to indemnifying China for her losses according to the principles of the Versailles Treaty, is also willing to refund to China the internment expenses.

As to the war indemnity, Germany undertakes to pay in advance a portion thereof in a lump sum, which represents the equivalent of one half of the proceeds from the liquidated German property and one half of the values of the sequestered but not yet liquidated German property, which amount will eventually be agreed upon, and which will consist of \$4,000,000 in cash and the balance in Tsin-Pu and Hukuang Railway Bonds.

According to Dr. Lo Wen-kan's financial report of October 1922, Chinese has claimed an indemnity of \$220,000,000 from Germany. It may be doubted whether the Chinese claims under the provisions of the Versailles Treaty, augmented by the actual cost of internment camps, really amount to anything like this figure. It would appear that its desperate financial situation has prompted the Chinese Government to agree to a very much smaller indemnity if by so doing it can get possession of the \$16,000,000 now reposing in the London Bank. But the

目 要

terms of the proposed agreement, so far as they have been disclosed, seem to us to raise several important questions of principle. In the first place it does not seem equitable that the present Peking Government should enjoy the full benefit of this windfall, a large portion of which it would proceed, immediately, to waste on military expenses. If the Reparations Commission exercised its option to require that the German Government possess itself of the German issues of these Loans—a point on which we have no information—the money that would be released under the projected agreement, ought, it seems to us, to go into the general Reparations account. Alternatively, it must be considered extremely doubtful whether the Allied Governments will allow to pass, without protest, any scheme which puts private investors in German issues of Chinese Loans in a preferred position, *vis à vis* the

Governments to whom Reparations payments are owing, and long overdue. They are scarcely likely to take the view that the rapacity of China's militarists and politicians justifies Germany in assuming responsibility for £9,600,000 of China's national debt, while the whole question of Germany's capability to meet her reparations obligations is under review. From the point of view of the holder of German issues of Chinese Bonds—who ought never to have been in any uncertainty as to amortization and interest payments being met after peace had been signed—the proposed agreement may have much to recommend it. In effect, however, the scheme now under negotiation seems to involve the covering of China's repudiation of a portion of her national obligations, by a corresponding deduction from German financial resources of funds which ought to be available for Allied Reparations. If that is a correct interpretation of the project, Reuter is quite correct in stating that it will involve "questions which have a wide international bearing."

目 要

Tientsin, Thursday, July 17, 1924

## THE GERMAN INDEMNITY TO CHINA.

THE Chinese Government—probably—the German Government—certainly—will hear a good deal more about the recently concluded Sino-German Agreement from the Allied Powers in the near future. It is scarcely too much to describe the whole transaction as an international swindle. It will be remembered that in 1921 a Sino-German Agreement was concluded under which Germany was to pay China an indemnity. This indemnity was to cover the cost of the internment of German military men, as well as China's losses "according to the principles of the Versailles Treaty." The Agreement stated that:

"As to the War Indemnity, Germany undertakes to pay in advance a portion thereof in a lump sum, which represents the equivalent of one half of the proceeds from the liquidated German property, and one half of the values of the sequestered but not yet liquidated German property, which amount will eventually be agreed upon, and which will consist of \$4,000,000 in cash, and the balance in Tsin-Pu and Hu-Kuang Railway Bonds."

The \$4,000,000 in cash was paid in 1921. An agreement was signed recently whereby the agreed value of the liquidated and sequestered property was fixed at between 69 and 70 million Mexican Dollars. Germany accordingly agreed to hand over to China Tientsin-Pukow and Hukuang Railway Bonds, of a total nominal value of £4,612,641, in addition to overdue Reorganization Loan Coupons amounting to £1,087,768, or a total of bonds and coupons of a nominal value of £5,700,409. Owing to suspension of interest and amortization payments on these Bonds

they have depreciated in value from £53 to 68, and they are accepted

by China only at their market value, which works out at a total of \$44,000,073. This amount, of course, is not entirely receivable in cash, the Bonds themselves being surrendered for cancellation. But China hopes by this agreement, immediately to secure possession of the accumulated interest and amortization payments due on the Bonds on which service has been suspended since 1917, and now deposited in the London, Paris and Brussels Banks. What the exact amount is we can only guess. Allowing for the validation of certain Bonds of German issues, we fancy that the amount available in cash will be approximately £2,800,000 or \$23,578,800. It would therefore seem that China would benefit under the new agreement to the extent of \$23,578,800 in cash, and in a reduction of her obligations on German issues of Railway Loans by £2,812,394.

Now what, exactly, constitutes an indemnity "according to the principles of the Versailles Treaty." Reparations under the Versailles Treaty include indemnities for damages to: Civilians by acts of war, cruelty, violence; to prisoners of war for maltreatment; pensions to victims and their dependents in the armed forces; reimbursement of expenses for cost of assisting prisoners of war; separation allowances on the basis of the French scale; compensation to civilians for forced labour; indemnity for destruction of property; reimbursement of fines, levies etc. Under none of these heads can China claim any substantial amount. Her armed forces took no part in the war. The dependents of the members of the Labour Corps who lost their lives, or were disabled, at the seat of war or on the way to or from France, were pensioned, or granted compensation by the Governments who employed them. The cost of internment of Germans in China was

月 要

trifling. As a matter of fact, financially, the Chinese Government made a very good thing out of the war. For doing little more than make a formal declaration of war it became entitled to seize all German and Austrian shipping in Chinese harbours. It has benefited to the extent of about \$53,900,000 during the past seven years by the cancellation of the German and Austrian portions of the Boxer Indemnity. It benefited further to the extent of upwards of \$87,000,000 during the five years following the declaration of War, by the suspension of Allied Indemnity payments. The formal declaration of war, therefore, brought China financial advantages, exclusive of the seizure of enemy ships and property exceeding \$140,000,000. When, on top of this, at the very moment when the Allied Powers whose immense sacrifices in life, in money, and in property won the victory are endeavouring to bring into effect a scheme by which Germany will meet her reparations obligations to them, the German Government contracts to pay China a fictitious indemnity of \$44,000,073, of which upwards of \$23,000,000 is in cash deposited in Allied Banks, it seems time to inquire what China has done to receive preferential treatment over Germany's European creditors. Why should China, who made no sacrifices whatsoever in the Allied cause, but on the contrary, received substantial financial benefits from nominal participation in the conflict, receive her absurd indemnity claims in full while France, Great Bri-

tain, America, Italy, Belgium, and Japan remain uncertain to this day whether they will ever receive more than an infinitesimal fraction of the reparations owing to them "according to the principles of the Versailles Treaty?"

If the German Government possesses Tientsin-Pukow and Hu-kuang Railway Bonds to the nominal value of £2,831,000 it has presumably acquired them in accordance with the requisition of the Reparation Commission, under Article 260 of the Versailles Treaty. The Reparation Commission was empowered by this Article to "demand that the German Government become possessed of any rights and interests in any public utility undertaking or in any concession operating in Russia, China, Turkey, Austria, Hungary, or Bulgaria," and to require the transfer of "all such rights and interests" to the Commission. If the necessary requisition was not made, one can only assume that there has been collusion between the Chinese and German Governments by which funds which should have been available for reparations have been utilized to buy up at a depreciated figure, German issues of Chinese

Bonds on which payment had been suspended. Although the actual amount involved may not be very large, the transaction raises an important question of principle. Put bluntly the issue seems to be this: is Germany to be allowed to bribe the Peking Government by defrauding her European creditors?

One can well imagine the jubilation in Government circles in Peking at the prospect of receiving \$23,000,000 in cash from Germany, which the Peking Government will be free to fritter away on subsidies to Militarists, Parliamentarians, etc. It seems pertinent to inquire, however, why Peking should enjoy a monopoly of this windfall? Why should the independent provinces not receive their share of the loot? One cannot really blame the Peking Government for grasping this unexpected opportunity to replenish its empty Treasury. China is not a signatory of the Treaty of Versailles, and is not, therefore, bound by its reparations provisions. Germany, however, appears to have acted in reckless disregard of her Treaty obligations in the hope of improving the position of her nationalists in China. And it re-

mains to be seen whether the European Powers, whose interests in reparations are defined in the Versailles Treaty will permit what seems, on the face of it, to be a barefaced swindle on the part of Germany, to be carried through without protest, and probably drastic action. Some of the Banks in which the Railway Loan interest has accumulated are already reported to have been notified by their Governments that none of these funds must be released. It will depend on the action of these Governments in Europe whether Germany is able to fulfil the obligations into which she has entered. In the near future, therefore, we may expect another indignation meeting of Peking's priceless parliamentarians to denounce the Allied Powers for their rapacity in refusing to permit China to receive a fictitious war indemnity in full before Germany has made any serious attempt to meet her reparations obligations in Europe.

Tientsin, Tuesday, August 6, 1924

## GERMANY AND REPARATIONS.

WITH the invitation to the Germans to attend the London Conference the curtain rises on the second act in the European drama at the London Conference. Should the statesmen fail to come to an agreement Europe will again return to the vicious circle in which she has been involved since the conclusion of the Versailles Treaty. To have achieved unity among the Allies after so many years of futile wrangling is in itself a notable event and for this, if we are to credit the generous tribute of M. Herriot, the British Premier is mainly responsible; but the business of the Conference now enters into a new and critical phase, for it is generally admitted by financial experts that the Dawes scheme will prove practicable only if it receives the wholehearted support of all the parties concerned.

The prospects of a successful outcome to the Conference may best be judged by the consideration first, of the general principles of the Dawes plan and secondly, of the proposals which the Allies have agreed upon as the basis of discussion with the Germans. The Dawes Report was framed on the assumption that a balanced Budget and a stable currency are the first essentials to ensure the success of the scheme. As a means to this end, it follows logically that Germany must have complete economic control of the Ruhr and certain other parts of her territory upon which she is dependent for her industrial existence. For this purpose also, a new Bank of Issue with the exclusive right to issue notes for a period of not less than 50 years will be established. It is contended by the Experts that there is a radical difference between

an internal and an external payment. Something more than a Budget surplus, therefore, is required to enable Germany to make payments to her foreign creditors and that is an exportable surplus. The Bank of Issue will act as an intermediary between Germany and her creditors, inasmuch as Germany will make all her payments in German currency and these will be deposited in the Bank, which, from time to time, as the foreign exchange market permits, will convert the bank balances into foreign currencies without threatening the stability of the German currency. The payments will be controlled by the Agent for Reparation payments—to whose account all payments will be made—at the direction of the Transfer Committee composed of the Agent, an American member, and one member each representing Great Britain, France, Italy and Belgium.

Germany is not allowed a complete moratorium. Payments would be limited to £50,000,000 in the first year, of which £40,000,000 will be realised by a foreign loan and £10,000,000 in the form of interest on railway bonds. Respecting the foreign loan, as stated in the telegram we publish to-day, there will be absolute priority over reparations and all other payments. The importance of this provision will be realised when it is understood that the whole success of the scheme depends on the raising of this loan and possibly of more loans of the same kind. The payments will rise in the second year to £61,000,000, to be contributed partly by railway bond interest and partly by the sale of railway preference shares. In the third year Germany's internal expenditure is expected to increase; consequently the payment will drop to £60,000,000; but in the fourth year the payments rise to £87,500,000. From the fifth year onwards reparation payments will be payable

in full, that is at a standard total of £125,000,000, which the experts consider will be within Germany's capacity and possibly more. The total of reparations due from Germany is not mentioned in the Report as this was outside the scope of its progenitors.

Consideration of the Dawes Report, therefore, reveals the fact that every precaution has been taken in the scheme to ensure Germany's financial stability. Moreover, her chief grievance—the occupation of the Ruhr district—will be abolished, it being a condition of the scheme which must be observed. Germany is consequently relieved of her heaviest anxieties viz., financial ruin and the possibility that the provisions of the obnoxious Dariae Report, which was the basis of the former French policy, will be fulfilled.

What are the proposals which the Allies have agreed upon at the London Conference? First, there are elaborate safeguards to ensure absolute justice in regard to any dispute arising out of an allegation of default. The Reparations Commission still remains the principal organization for dealing with questions of reparations but it no longer has the final voice in making decisions. Moreover, it will now have the addition of an American

member. If it fails to arrive at a decision on any question that arises, any Commissioner may appeal to an impartial Arbitral Tribunal whose decision will be final. In the event of alleged default Germany will have the right of appeal to this tribunal, and there "can be no question of sanctions unless default is decided through this machinery." Germany is spared much humiliation too, by the fact that she will be asked to accept a proposal "for the establishment of a Committee, composed equally of the Allies and Germans, with power to co-opt a neutral, in the event of a difference of opinion, to ensure the observance of reparations deliveries and commercial contracts."

The changed spirit of the Allies is indeed noticeable in the recommendations of the London Conference. The Germans can hardly fail to respond accordingly. To act otherwise would be to put themselves wholly in the wrong and to act suicidally. Questions which have been bones of contention for years seem suddenly to have straightened themselves out, leaving the inference that most of the past difficulties have been due to political personalities of the war burdened by impossible election promises. The second act of the play now commences; let us hope that it closes as satisfactorily as the first.

#### **\$9,000,000 BACK WAGES.**

Peking, August 4.

The Chinese Government owes its present and dismissed employees a sum of \$8,900,000 in back salaries according to figures reported to have been worked out by the authorities who are in charge of readjusting the matter.—*Chung Mei.*

月 要

# THE CASE OF DR. LO WEN-KAN

Finance Minister Is Asked To Appear Before Judge Where  
He Is Questioned—President Li Yuan-hung Sends  
Long Telegram To General Wu Pei-fu  
Rebuking Him—Marshal Tsao Kun Also Telegraphs

To all appearances a split between Marshal Tsao Kun and General Wu Pei-fu has occurred over the case of Dr. Lo Wen-kan. While General Wu is questioning the legality of the arrest of the Finance Minister Marshal Tsao insists upon the immediate trial of Dr. Lo by a special court and does not mention a single word about the manner of his arrest. According to information leaking out from the Presidential Palace the telegram sent by Marshal Tsao to the President the other day is not only very strong in its criticism of Dr. Lo but also denounces Dr. Wang in by no means mild terms. It demands that the Premier be tried as a co-principal with Dr. Lo, inasmuch as he has made the false statement that the agreement signed by Dr. Lo with the Sino-Italian Bank had been approved by the Cabinet.

## President To Wu Pei-fu

In reply to General Wu President Li Yuan-hung issued a very long telegram on Thursday denouncing his position in regard to the Lo case. The telegram opens by saying that during recent years corruption has become rampant in high places and that since his return to the Presidency the President has striven his best to stamp out this practice, although he is not unaware of the difficulties confronting him in this stupendous task. An account is then

given of the circumstances leading to the arrest of Dr. Lo, in which the President said that in view of all the evidence placed before him by the Speaker and Vice-Speaker of the House of Representatives he could not but defer to the request of the two Speakers. As to the charge that he failed to consult the Cabinet ministers, the President says that he was not required to do so, since the case was one in which the whole Cabinet was interested. "In a Republic," continued the President, "every one stands on an equal plane in the eyes of the law. If the information given by the two speakers against the Finance Minister is true it is the duty of every person to bring it to the attention of the judicial authorities and there is no express provision requiring the President to refer the order of arrest to the Cabinet for counter-signature. There have been many cases during recent years where an official was first arrested and then dismissed from his post by Presidential mandate. These cases have grown during the last several months but I have not

heard a single word of criticism raised. Take, for example, the case of Mr. Chung Shih-ming, the former Minister of Finance. He has been placed under detention for a long time but as far as he has not yet been formally dismissed. Although the order for his arrest came from you yet the police ex-

ecuted it without hesitation.

#### Strong Prima Facie Evidence

"The police is a subsidiary organ of the judicial authorities. There is nothing illegal for it to arrest a person and then turn him over to the court. In short, considering that the Austrian loan agreement was signed without the approval of the Cabinet and Parliament, that the two speakers of the House made out a prima facie case against Dr. Lo, that the evidence placed before me by them was so overwhelming as to raise a strong suspicion of corruption on the part of the Finance Minister, and that there was the fear of his escape in case the facts should leak out, any one in my position who has a particle of conscience in him would have acted exactly as I did. Looked at from the standpoint of friendship my action is regretful but I did it in the belief that I protected the best interests of the country. Although it may appear irregular my intentions will be clear to all. As Dr. Lo was appointed to his present position by me I should be the last person to see him guilty of a serious crime, since this would ultimately reflect upon me. But if I had not taken the step for which I am now criticized on all hands there would be a much greater outburst against me if it turned out that the charge against him was founded upon fact and

knowledge of the step that would be taken against him. During the last few days a telegraphic campaign has been going on between the Cabinet on the one hand and Parliament on the other, resulting in a situation in which neither side is willing to yield. Added to the general confusion are rumours and broodings of the press. It is my opinion that since the case has been turned to the court it is for it to decide whether Dr. Lo is really guilty of corruption or not. If the charge turns out well-founded, let the consequences of the law be visited upon Dr. Lo without mercy. If it is otherwise, the accusers should be punished with the greatest severity. The question of my position is a small matter but the administration of justice is a serious

Wen-kan and Huang Ti-lien. Another interesting report is going the round that in view of the silence of Marshal Tsao Kun in the case, Mr. Chang Pei-lien left for Paoting this morning to secure his support.

#### The Cabinet's Telegram

(Asiatic News Agency Service)

Peking, Nov. 22. — We have been authorized to distribute the following translation of a circular telegram from the Cabinet to the various provinces and public organizations concerning the Lo Wen-kan case:—"Owing to the sudden arrest of the Acting Finance Minister Lo Wen-kan by the metropolitan police and patrols at mid-night of the 18th instant, there was an urgent Cabinet Conference on the morning of the 19th instant for the discussion of the important affair. After long consultation among the Cabinet Ministers and the various high military and police officers who attended the special Cabinet Conference, it was decided to request the President to promulgate a Mandate giving full particulars about the

目 要

未次研究所

case and ordering the handing over of Dr. Lo Wen-kan to the proper Court of Justice for trial as he has been charged by Speaker Wu Ching-lien and Vice-Speaker Chang Pei-lien of accepting bribes in the conclusion of the revised loan agreement with the Sino-Italian Bank. But just at this moment, both Wu Ching-lien and Chang Pei-lien, accompanied by twenty Parliamentarians, rushed into the Presidential Office and by force, prevented the President from fixing his official seal on the Mandate for promulgation. Furthermore, on the morning of the 20th instant, when the Cabinet Ministers were discussing State questions with the President in the Chujentang Throne Hall of the Presidential Palace, nine Parliamentarians rushed into the room and forced the Chief Executive to leave the conference. We leave the above incident to the general public to form their own opinions as to whether the actions of the Parliamentarians are legal or illegal and whether they have been done in accordance with the procedures of a Cabinet system. Under existing circumstances, it is the duty of the Premier and his Ministers to resign their posts immediately; but they have been compelled to remain until the final settlement of the Lo Wen-kan case by the judicial authorities." (Signed) Wang Chung-hui, Koo Wei-chun, Sun Tan-lin, Li Ting-hsin, Tang Erh-ho and Kao An-hung.

#### Two Ministers Do Not Sign

In the above telegram, it is worthy of note that both General Chang Shao-tseng, War Minister, and Mr. Kao Lin-wei, Minister of Agriculture and Commerce, did not sign their names and this is an indication that the present trouble is a concern of the state. At a time when the atmosphere is surcharged with rumours, and suspicions an upright attitude is what one should take."

#### Will Gladly Retire

The President then goes on to say that he was well contented with his retirement in Tientsin and had no desire to return to political life but that he had to rejoin the service of the Government at the urgent request of his country who appealed to his sense of duty. He hoped he would do something for the benefit of his country, but he was much disappointed. He found that the Tuchuns were growing more defiant toward the Government, although he had talked about the abolition of the Tuchunate, that instead of the disbandment of troops there had been actually an increase in the military strength of the various Tuchuns, that instead of a cessation of civil war factional warfare was more prevalent than it had been, and that instead of a policy of non-borrowing there had been a great growth of national obligations. He was like a deaf man in the Presidential Palace. All his hopes had become an empty dream, while criticism had come upon him from all sides. Since the Lo case arose he had especially been attacked in various circles. He would be very glad to be relieved of his burden at once, and he pointed out to the fact that his resignation was still in the hands of Parliament, as showing that he had no inclination to stick to office if the people desired him to go.

In conclusion the President advised General Wu not to sacrifice his fair name by interfering in the affairs of the Government and making light of the Chief Executive, which is exactly what his enemies wish him to do, saying that it is not right for him to treat the man whom he urged to come out of his retirement, with disrespect.

#### Press Comment

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Commenting upon the telegram the "Chen Pao" says that it cannot see any useful purpose served by it, seeing that General Wu Pei-fu has long been regarded as standing beyond the pale of the law, and that the President would do much better if he had issued a mandate punishing General Wu for his interference in the affairs of the Government. The "Chen Pao" is of the opinion that if the President has violated the law in ordering the arrest of Dr. Lo without consulting the Cabinet, so has General Wu in sending a tele-

(Continued On Page 8)

gram to the President calling his action into this question for it is not General Wu but the people and Parliament who have the right to question the legality of the President's act. In Chinese circles there is a strong suspicion that the telegram is a fake and that some one has taken liberties with the name of the President, for if the President really wanted to issue this telegram it would seem to be entirely superfluous for him to have taken the action he did on Wednesday evening, an action which is generally regarded as intended to conciliate Loyang.

#### Dr. Lo Questioned

(Chung Mei Service)

Peking, Nov. 24:—It is expected the formal trial of Dr. Lo Wen-kan, Minister of Finance, will be opened within the coming week. At three yesterday afternoon the Procurator's Office sent to the Bureau of Ceremonies in the President's Office where Dr. Lo and Mr. Hwang Ti-lien are staying with the request that they come to the Court. They did so in company with Mr. Huang Kai-wen and after an hour's examination they returned to their temporary quarters. Dr. Lo is reported to be still keen on returning to the court but President Li insists that he remain as his guest.

The documents prepared by the Ministry of Finance and the

Ministry of Communications have already been turned over to the Court. As the whole charge was brought by Speakers Wu and Chang, the court will summon them to appear as witnesses.

#### The President's Standpoint

President Li Yuan-hung has gone on record in the case in his telegram sent to General Wu Pei-fu replying to that of the Loyang War Lord. President Li says: "In resuming the office of President, I resolved to fight the evils in the Government, especially those pertaining to malpractice in connection with the finances. On the 18th instant, the Speaker and Vice-Speaker of the House of Representatives, together with witnesses, called on me bringing evidence in the form of a contract and letter containing the Parliamentary seal, to prove the misconduct in office of Lo Wen-kan in connection with the Austrian loan. Since I was convinced of the falsity of the statement that the loan had the sanction of the President's Office, I ordered the immediate arrest, as such conduct in a Cabinet Minister is of extraordinary consequence.

"In your telegram it is stated that Chief Hsieh of the Gendarmes had received an order to arrest him for a private interview, which would mean that it was a private matter and not an official arrest. In the telegram sent by the Police Station there is no word arrest mentioned. I wonder where you got it from or if you added it yourself. According to the law, it is the practice that those who are accused should prove their own innocence. For this reason, Lo Wen-kan, being a Cabinet member himself, his case has not been handed over to the Cabinet. In a Republic where every one has the same rights, if the report of the Speakers be true, it does not

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