

20 Dec 1876

Mr Consul. Takubana,

The enclosed letter will explain how we ~~are~~ ^{are} proceeding and I hope everything will be signed and sealed by the next steamer. The Agreement is being drawn up by a lawyer and will be ready in a few days.

When everything is settled I think I had better come across to Japan and explain everything to Mr Okuma and your self as it is so difficult to explain by letter. Mr Shiraagawa explains everything in his letter to Mr Okuma.

and copies & translations
of Agreements upon which
we propose to base the
Agreement goes forward.

The plan of making a
separate agreement for
the first instalment of
£ 2,500,000 I think
is the best, as then we
can see that the securities
are all right & can go
on & make up the balance
of £ 7,000,000 at a higher
exchange.

Yours truly

John Petman

P.S. You had better telegraph
me if you wish me to
return.

Shanghai
20th Dec^r 1876

Sir,

Mr Shinagawa will forward you full particulars regarding the progress we are making, in getting all the documents ready for signing. I had hoped that everything would have been ready by this steamer, but Mr Rennie the English lawyer, who is drawing up the Agreement in proper legal shape, has been unable to get the papers completed by this steamer. Mr Haas the interpreter of the Austro Hungarian Consulate, who is preparing the Chinese documents, is also not ready with the papers.

Mr Shinagawa will forward you a copy of the Agreement which the Chinese officials have drawn up and submitted. - This document is forming the basis, upon which Mr Rennie is drawing up the legal Agreement.

You will observe, that in the first of these proposed Agreements, Hsi Tontai only proposes to receive Taels 2,500,000; the balance of the Tls. 7,000,000, he will take in a subsequent Agreement at a higher rate of interest.

Ichikata Hisamoto Inq
Dai-shi to the
Dai-jo-kwan

The reason of Hsü Tantai, reducing the first portion of the Loan to 2,500,000 Hainan Taels, is, that he is afraid to run the risk of losing more than he could refund on the Rice. For he says, any loss on the Rice will not fall upon the Imperial government, but he will have to make it good himself, and therefore at the price fixed for the rice, if he undertook a greater responsibility, and there was a heavy loss, he would be unable to pay, and it would only lead to trouble.

In the meantime he will obtain authority from Peking to take the balance viz: 4,500,000 Hainan Taels at a $9\frac{1}{2}$ per cent interest, if ~~the~~ he is relieved of the responsibility regarding the Rice, in case of loss on the fixed price. It is this he fears, and continually dwells upon, and he thinks an extra 1% interest, should be sufficient to enable the 1st National Bank of Japan, to undertake the risk.

Undertaking Hk. Tls. 2,500,000 at first, appears to me to be advisable in every way for the Japanese government, for more than half of this amount is in Japanese products.

Also, the fact of a loan to Japan will deter others from offering money, and a higher rate of interest for any further sums Japan can spare is certain to follow, for it will be next to impossible for China to get money or accommodation elsewhere.

In making this loan, also, the Japanese government don't run any risk, for the produce they deliver is paid for, and bears interest, and it will be seen clearly how the Chinese government provide for the loan, for, during the interim, the Bonds have to be prepared, clearly setting forth what they represent.

I think that the present course of arranging for the first portion of the Loan in the manner submitted, is the best and most secure way it could be done.

The interest of $8\frac{1}{2}$ per cent is the highest we could obtain, but, this is made up in fixing a rate of $7\frac{1}{2}$ ^{exchange of} for the Japanese dollar, any profit on this rate they are willing to pay over to the 1st National Bank.

The price of the Rice at $\$4.75$ with all profit above to the 1st National Bank is the highest price I could get out of Hsü Tantai, and as I have said before he dreads the risk and responsibility, he incurs at this rate.

The expense of issuing Bonds in Japan it was impossible to get the Commissioners to entertain, so this with the other matters are left for the Japanese government to decide whether they will accept or not -

The carrying out of this matter in its infinity of small details has required

I can assure the government a great deal of anxious trouble and care - I have endeavoured to arrange the matter on a basis which will work, and which is equitable, and will stand the test of the closest criticism, and I am sure it will be of as great advantage to China as it is to Japan, in placing ^{Commercial} matters on a better relationship.

As I said in my last I shall endeavor to arrange it so that the Japanese government have the refusal of it, just as it suits them - In case this is arranged I think it will be advisable for me to return to Japan to explain fully to His Excellency Mr Okuma every detail of the matter, in this case government approve and will telegraph Mr Shuiagawa.

The translation of the second agreement for £4,500,000 I have given Mr Shuiagawa who will forward the same to you.

I enclose a Chinese newspaper relating to the proposed railway which the government had had to pay some \$45,000 per mile for & which is not a railway in any sense of the word.

I am, Sir,

Your obedient servant
John P. Seward

25147

Hickokali Muiantob In

Obai Mui K-Mu

Obai jukuan

90. Col. Mubana Poteris

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