

Shanghai
26th Feb 3/1877

Sir,
Mr Yoshihara returns to Japan by this steamer, and will lay before Your Excellency a proposal made by the Chinese to develop the Tea production of Japan in a different manner to that which has prevailed hitherto.

Loan - Everything in connection with this is working satisfactorily. The Coal and other produce ready Mr Manson is sending over vessels to take delivery of and he pays the value of the same as agreed upon into the Bank to Mr Shinagawa as Credit.

Mr Telge the German merchant has continued his proposals on behalf of Wu. Fortai for a loan of Taels 4,000,000 to 5,000,000 they offer to take the Rice and to sell it back at a loss, or without Rice they offer 10 per cent interest and probably will pay higher.

During the present troubles in Japan acting on the advice of Mr Yoshihara and Mr Shinagawa, I have not given much encouragement to Mr Telge and should not now trouble Your Excellency on the subject.

Yours Excellency
Okuma Saughi
Okura Kiyo

but I am anxious to inform you everything which goes on in this matter - Mr. Fildes informed me today that he could get a loan here in Shanghai on a silver basis at 10 1/2 per cent, this may or may not be true, but on receipt of this if Your Excellency decides to continue negotiations for the balance of the Rs. 7,000,000 I would ask to be informed by telegram through Mr. Shinagawa, as no doubt if there is a peaceful solution of affairs in Europe that China may be able to get a further loan there, especially as the Chinese Embassy has made some impression, and further the recent Edict (issued at Peking notifying that Christian Chinese converts are to be protected by the Provincial authorities) will have a great effect in Europe -

I look upon this Edict as one of the most remarkable and important measures issued by the Chinese government of late years - It is a great victory for the French Minister at Peking who for years has been endeavouring to procure some such notice.

Another important item from Peking is that Formosa is to be formed into a separate government having a Governor appointed from Peking - This measure is another of the many evidences that the influence of Japan is quietly working the progress of China - The toleration to Christians is brought about by the previous action of Japan in the same direction, so likewise the purchase of the American Steamer Company was in imitation of Japan.

With regard to the purchase of the American Steamer Company, the Directors apparently are finding some difficulty in obtaining the money to pay for them - They have to pay Rs. 800,000 by the 31st March to complete the bargain, and Tong-kui-sing the Chief Director and Chu Tantai are now in Hankow endeavouring to get the money from the Viceroy - Before leaving Shanghai they instituted enquiries as to whether a loan of Rs. 1,000,000 could be got from Japan at 10 per cent interest on the security of the property of the Company and steamers. The same proposal they made to Mr. Shibasaki and Mr. Masuda -

The Viceroy of Hankow Shen-pou-Chen is reported to be very unwell, so much so that it is expected he will retire from his office and this apparently adds to the difficulty the China Merchants Company experience in obtaining a loan from the Provincial authorities.

I have written Mr. Matsugata very fully on the Tea question, and I have also written fully upon the respective positions of the China Merchants Company and the Nippon Bishi Mail Company to which I beg to refer Your Excellency.

Dreman, Si

Your most obedient servant

John Pitman

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His Excellency *Thomas Lewis*
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