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EDITORIAL COMMENT

THE CHINESE RAILWAY AND CURRENCY LOANS¹

The end toward which the policy of the United States has been directed in China under the present administration was expressed in the President's second annual message to Congress in the following words:

The policy of this government in these matters has been directed by a desire to make the use of American capital in the development of China an instrument in the promotion of China's welfare and material prosperity without prejudice to her legitimate rights as an independent political power.

The completion of the loan for the construction of a system of trunk lines in central China, known as the Hukuang Railway Loan, and the signature of the loan for the reform of the Chinese currency and the industrial development of Manchuria mark substantial progress in the working out of this policy.

¹ See editorial in this JOURNAL, Vol. 4, p. 687.

The results in the two cases were attained in different ways. In the case of the Hukuang Loan the United States found itself opposed by a formidable combination of three of the most powerful financial groups in the world supported by three of the most powerful governments.

The United States claimed that it had the right, based upon the written engagement of the Chinese Government, to participate in the construction of the railway on equal terms with the other Powers. Moreover, when it became apparent that the revenues pledged in connection with this railway project vitally affected the national reforms in which this country was deeply interested and that the governments whose nationals held this loan would have a certain direct interest in the carrying out by China of the reforms in question, the importance of American participation in the enterprise was the more evident.

The demand for recognition of the rights of the United States was first made to the Chinese Government and refused on the ground that matters had already proceeded so far toward the completion of the contract with the other Powers that it was too late to consider the admission of the United States. This objection having been overcome and the consent of the Chinese Government secured, after months of negotiation the claim of the United States to equal participation with the other Powers in all respects, including the supplying of funds, engineers and materials, was admitted by the foreign financiers and governments concerned.

When this state had been reached, about a year ago, further progress with the loan was obstructed by local opposition to the foreign enterprise by the Chinese Provinces. All these obstacles having finally been happily overcome, the loan agreement with China was jointly signed on May 20th by the financiers of the United States, France, Germany, and Great Britain and the work of construction will be immediately begun.

In the case of the currency loan the Chinese Government first applied to the United States because of the interest which this country was known to take in the reform, and doubtless also because of the fact that financial assistance for such a project had some years ago been sought and proffered in the United States. Having in mind, however, the position which the American Government had taken in respect to participation in the Hukuang Railway Loan and mindful likewise of the vital importance of the cooperation of all the Powers having important commercial and vested interests in China in the working out of the currency reform, the opportunity was seized by Secretary Knox to forward

the general policy of equal opportunity which has always been so strongly advocated by the United States, since the time of John Hay, and the door was opened with China's consent to the financiers of the other Powers already associated with the United States in the railway loan.

America has frequently been criticised abroad, and especially in the Far East, for seeking to exert in China an influence out of all proportion to the importance of its vested interests. By the successful completion of the two loans above referred to the United States has now for the first time such a substantial interest in the material development of China and in the revenues which have been hypothecated as security for the loans as to give it more than a moral right to have a voice in all questions affecting China's welfare. In addition, those interests have been so associated with the interests of other leading Powers by common financial ties that it is to the interest of all alike to join in maintaining the political integrity of China and to unite in sympathetic and practical cooperation for the peaceful development of the Chinese Empire. For as Secretary Knox has well said, "Where nations invest their capital they are intent upon preserving peace and promoting the development of natural resources and the prosperity of the people."

The first step only has been taken on the road to the essential monetary and fiscal reforms of the Chinese Empire, but it has been a long and practical step and the interests of the Powers have been so united as not only to secure an open door for the commerce of all the world but virtually to neutralize the whole broad field of China's industrial and fiscal enterprises.

THE PONTIFICAL LETTER OF JUNE 11, 1911, ON INTERNATIONAL PEACE.

In a moment of despair and darkness, in the midst of the Crimean war, the late John Bright impressively and solemnly declared that "the Angel of Death has been abroad throughout the land; you can almost hear the beating of his wings." Were he alive today and could he speak from his place in the House of Commons, he would vary his beautiful and poetic figure by declaring, no less solemnly and impressively, that "the Angel of Peace is abroad throughout the land; you can almost hear the beating of his wings." For, on the 11th day of June in the year of our Lord one thousand nine hundred and eleven, Pope Pius X voiced the hopes and aspirations of a struggling humanity