

**Financial and Economic Situation in China as of
 Peking, December 22, 1923.**

Political Conditions:-

Manchuria and North China continue to remain quiet and peaceful in a political way. There are rumors of further troubles in the Yangtze region. The conditions in South China have become more critical as Sun Yat-sen has threatened to carry out his demands for a share of the customs receipts at Canton, while the Diplomatic Body at Peking has refused to acquiesce in making any separate allotment for his purpose. The papers have been giving considerable publicity of late to proposals for dividing China into a number of military zones, abolishing the military governors and placing these military areas under the direction of super-tuohens. It is proposed to have thirteen of these military areas for the entire country, embracing a national defense army of thirty-one of the brigades and four brigades of the former Imperial Bodyguard. Before this proposal can be made effective, however, greater progress will have to be made in affecting political unity.

The system of railway policing, which is being developed under the Ministry of Communications as a result of the Lincheng bandit outrage of last May, has not been put into effective operation, although the scheme has been outlined in complete detail.

Another question which is affecting the political situation is the gold franc issue. The Upper House of Parliament recently passed a resolution to impeach the Minister of Finance because of his presumed issuance of an order recognizing the position of the French government in demanding gold franc payments on their Boxer indemnity installments in accordance with the protocol of 1902. The French ratification of the proposed Peking Customs Conference is still being withheld pending the settlement of the gold franc issue.

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Financial Condition.

The Chinese New Year falls on February 5 this year. In government and business circles the New Year settlements are the most important of the year. While the Government's financial situation has not improved, yet the New Year settlements will probably pass over with no more difficulties than have attended previous settlements. In a business way it is not anticipated that this year will witness any serious difficulties and the failure will probably be less than those of the last few years.

The silver market has continued its strong position owing to the continued demands in this country for silver. Although the stocks in the Shanghai banks dropped during the week to the equivalent of about silver \$40,000,000, which is a dangerously low margin on which

to work, yet this drop came at a time when business was stagnant so that it did not result in any serious financial situation. During the past week new stocks have been received with the result that the tension has relaxed. However, in view of the demands for the new year settlements, it is not anticipated that silver will recede from its present strong position. It would seem that an estimate of an aggregate of an equivalent of silver ~~for coins~~ ^{\$1,000,000,000} and bullion throughout the country would not be unreasonable.

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General Business Conditions:-

Competition is now more severe; hence the individual merchant probably experiences less of prosperity, and hence concludes that the actual aggregate turnover in business is very materially on the decline. The peaceful conditions obtaining in Manchuria during the past year have resulted in a very healthful revival of business in that section.

In North China there is evidence of what may be termed unusual building activity, particularly in Kwantung Province. Shanghai continues its building program and in spite of prophecies a few years ago that modern residential buildings then being erected would more than meet the demand, houses today are scarce.

Forwarded:

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