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CHINESE INDEMNITY.

COMMITTEE ON FOREIGN AFFAIRS,
HOUSE OF REPRESENTATIVES,
Tuesday, February 4, 1908.

The subcommittee this day met, present: Messrs. Denby (chairman), Perkins, and Gill.

There were also present Hon. William E. Chandler, Mr. Howard Ayres, and Mr. Robert Christie, representing the China and Japan Trading Company.

The CHAIRMAN. We have before us Senate resolution No. 23, "to provide for the remission of a portion of the Chinese indemnity," and on that question the China and Japan Trading Company have asked for a hearing, with a view to a modification of this resolution in some manner that will enable them to be heard in the Court of Claims, on the ground that they were not sufficiently reimbursed for the losses in the Boxer riots.

I have here, from the Department of State, the report of the American commission and a list of the claims awarded, made up somewhat in the manner of reports of commissioners of claims in the United States probate courts, showing how much was allowed and how much disallowed, and from this list it appears that the China and Japan Trading Company presented to the American commission claims to the amount of \$554,779.20, of which \$519,084.20 were either withdrawn or disallowed, and that \$45,695 were allowed, with interest, amounting to \$4,646.57. Subsequently on a reopening of certain features of the case by the State Department a supplemental allowance of \$17,917.74 was made.

There was an agreement among the representatives of the Powers that the claims presented by individuals, companies, and governments should be considered in a certain manner, and the agreement was quite specific as to what claims would be considered and what claims would not be considered.

The representatives of the China and Japan Trading Company have proposed the following amendment to the Senate joint resolution:

At the close thereof add a proviso, as follows:

Provided, however, That the modification and remission herein authorized shall provide for an addition to the sum mentioned above as the total payment to be made by China, which will be sufficient to satisfy any judgment, award, or allowance that hereafter, upon a judicial determination, may be given in favor of the China and Japan Trading Company (Limited) of New York City, as damages suffered by reason of such disturbances.

Mr. GILL. You filed your claims in documentary form?

Mr. CHRISTIE. Yes, sir. No evidence was taken on the subject of the claims.

Mr. GILL. The decision of the commission was based on a demand as stated in the document, but was disallowed on the question of principle or right?

Mr. CHRISTIE. I really do not know how they reached the conclusion.

Mr. CHANDLER. Mr. Chairman and gentlemen of the committee, I appreciate the importance of being as brief as I can in a hearing of this sort, which is not a matter of right, only a matter of courtesy. I am in an unfortunate position. Three weeks ago I was asked to examine this claim and to appear in advocacy of some future adjudication of it (if I thought it a good claim). Mr. Crammond Kennedy, of counsel, had opened correspondence with a member of the Senate committee. Mr. Kennedy is now sick. Mr. Lloyd, of New York, has been counsel and he is now sick. Mr. Partridge is up in Vermont. I have been sick all the week. Mr. Kennedy has been engaged in preparing a document which he should not have undertaken to prepare while he is so unwell. That document has only been typewritten and has not been printed. It is our desire to have it printed.

When I began to look over the case I found that it was not certain that we should have an adjudication in which we could proceed, and Mr. Kennedy then informed me of his correspondence with a member of the Senate committee. He asked the Senate committee to obtain certain information in order that he could prepare his brief. He was of the opinion that all this information would be received by the Senate committee before it acted, but the bill was reported without obtaining the information. I think the Secretary of State appeared before the committee, but without obtaining this information, as we understand it, the bill was reported back to the Senate on the 14th of January and passed on the 15th, and we are now sent to ask help from you; to obtain from you the adjudication which on equitable grounds we think this company ought to have.

Last night I drew up this proposed amendment with the idea that possibly the subcommittee would be willing to accept it or something like it in order to save us the necessity of arguing what I would call the merits of the original case. If that could be done, we would not go over the merits of the original claim. We do, of course, stand ready to convince you, if we can, that we have not been guilty of any laches or neglect, as Senator Lodge told Senator Bacon would appear to be the case if any other claims should be presented. You have seen the company's memorial and annexed to it is the bill by means of which we seek to get into the Court of Claims for an adjudication. That bill in the Senate is before the Committee on Foreign Relations, but Mr. Foster informs us that the bill could not come to this committee in the House, that it must go to the Committee on Claims.

Mr. PERKINS. Why must the bill go to the Committee on Claims?

Mr. CHANDLER. I do not know. It was our request that the bill should go to your committee. Mr. Foster gave us to understand that there was an inexorable rule in the Speaker's office or somewhere else which made necessary its reference to the Committee on Claims.

The amount stated in the Senate resolution to be received from China is \$11,655,492.69, and we are asking that there shall be col-

lected in addition to that a sum sufficient to satisfy any judgment, award, or allowance that hereafter, upon a judicial determination, may be given in favor of the China and Japan Trading Company, Limited, as damages suffered by reason of the Boxer disturbances.

The subcommittee will understand that this amount of about \$11,000,000 is to cover the estimated expense of our military and naval expeditions as well as the \$2,000,000 estimated as required to satisfy the claims of our citizens. The committee will also notice that the \$11,000,000 has not yet been received. Even if this agreement were made with China to limit the amount to \$11,000,000, inasmuch as there has been only about \$6,000,000 already paid, China would still have to pay \$600,000 a year for five or six years (if the terms of the original agreement as to installment payments are adhered to) before the remission takes effect.

The CHAIRMAN. It is probable they will continue to pay up to the termination of the period agreed upon.

MR. CHANDLER. We are showing that there is no haste necessary about this action; that it is not actually paying any money to China, and whatever this Government may now do, it will not affect the payments from China during the next four or five years. It would effect a settlement so that China would know that \$11,000,000 would be all she would be obliged to pay instead of \$25,000,000. But as she has only paid \$6,000,000 and still has \$4,000,000 to pay, there is no need of any haste. The only thing to be considered is that this \$11,000,000 is already apportioned and assigned to the expense of the military and naval expeditions and only \$2,000,000 of it to the claims of American citizens. If there is not the additional sum of \$500,000 provided for, then, if an adjudication should be given us and we should recover that amount, there would be no way for us to get it; certainly not out of money which has already been disposed of. In this connection, I wish to call your attention to a joint resolution which was introduced in the House on January 9 providing for establishing from the Chinese indemnity moneys American consulates in China, Japan, and Korea, which will require about \$1,500,000.

MR. PERKINS. That resolution has been amended to take it out of the general appropriations.

MR. CHANDLER. The original proposition was to take it out of this money. It could not well be done unless it was deducted from the army and navy expenses. As I understand you, it will now be paid by the Government, but not from this money.

MR. PERKINS. It will be paid out of the general funds.

MR. CHANDLER. That puts that resolution out of any relation to this question of the indemnity fund.

Now, our request is that you provide that this amount in the present Joint Resolution to be obtained from China shall be so enlarged that if we recover we can find the money without taking it out of the Treasury of the United States. The request for the passage of the bill need not be argued to you, because if our bill is to remain with the Committee on Claims and that Committee does not favorably report, we shall not have the adjudication. If you will hear us on the question of giving us the further adjudication, we will be pleased to go on with the argument. If not, necessarily our request to you is limited to asking you to provide the means, if any

such judgment is rendered, while apparently our request that we may have an adjudication seems to be bound to go to the committee where the bill has gone.

The CHAIRMAN. There may be a rereference.

Mr. CHANDLER. You will notice that we are not at fault because the bill is not before your committee. Mr. Foster will explain to you the reason.

With reference to claims against the indemnity fund, we admit that there was a hearing and that commissioners were appointed and that there was an allowance made on our claim by the State Department. Messrs. Bainbridge and Ragsdale, however, only allowed \$1,514,298.88 of claims. The Secretary of State, since, we understand, from the condensed statement that is made in the memorandum furnished to the subcommittee, has allowed \$480,636.30 outside of the action of Messrs. Bainbridge and Ragsdale.

Mr. PERKINS. Did you appear before the Secretary of State and present any further claim or did he not pass upon your additional claim at all?

Mr. CHANDLER. Yes, sir; the company appeared and followed up the matter (this point is the question of laches) and finally, on the 23d of July last, they were told that the State Department would not do anything more about it. Our position is that they have not fully considered the nature of this claim, which is a right of property, recognized, as I shall show the committee, by international law and recognized by the statutes of the United States. This is a claim against a foreign government for a very large amount of money and we hope to show you that we have not had the adjudication that we ought to have had. We stand upon the proposition of adjudication; and whatever allowances we may have had, the right to appeal from the judgment of the tribunal to the conscience, and to the liberality, if you please, of the Congress of the United States can not be taken away from anyone. We ask that the measure of damages be so applied that the amount we claim or the larger part of it shall be paid to this company, upon five different principles, (1) upon the principle of common sense and natural law, (2) the principle of the common law as to damages, (3) the civil law rule as to damages, (4) the international law as to damages, and moreover (5) upon the very principle which the State Department specially laid down in their instructions to the commissioners.

Mr. PERKINS. Could that be under the common law rule?

Mr. CHANDLER. I am speaking of the rules of damages, not the question of liability. We consider that the question of liability has been absolutely settled. So we say that according to all these four rules of jurisprudence and also in accordance with the special rule laid down by the State Department, we ought to have the larger damages rather than the smaller damages that have been given to us.

We believe that we can satisfy you of the obligation of the Government to give formal adjudication, and what we ask Congress to do now is just what has been done repeatedly in cases. After that all that it is necessary for us to show to a Congressional committee or to Congress would be that we had not been guilty of any laches. That is the outline of our whole case.

Here [exhibiting] is Mr. Kennedy's long brief not yet finished, and I am prepared to make an argument at considerable length, but

not I hope unreasonable. We again call attention to the fact that there is no necessity for haste, except the desire on the part of the Executive that the Congress shall confirm his desire to quickly release this money to China. We have not the information we want upon which to argue the case unless it is contained in the report which the chairman of the subcommittee received this morning.

The CHAIRMAN. In what report?

Mr. CHANDLER. I am not certain how much information we want in addition to what you have stated you now have. If that report contains a statement of the principles upon which claims have been allowed, that will go a great way in giving us the information we want, but we do not now know the name of any other claimant, we do not know of the allowance of any other specific claim, and we do not know the principles upon which the allowances were made. May I ask you whether the statement you have received includes the allowance made by the Secretary of State?

The CHAIRMAN. No, sir; only the supplemental finding in your case.

Mr. CHANDLER. It does not show how the Secretary of State has been dealing with the \$480,636.30 of claims?

The CHAIRMAN. No. I did not know the Secretary had made those allowances.

Mr. CHANDLER. We do not know what principles the Secretary adopted and I should have to ask for some little time to present the historic facts in order to satisfy you that under the circumstances you ought to give us that judicial determination which we think we have not had—and yet we do not want to tire the committee or Congress.

The CHAIRMAN. We would like a brief statement from you on the question of laches, upon which we have heard a great deal. Your memorial sets forth substantially what was done. What excuse did they have for not settling the matter before?

Mr. AYRES. I would like to answer that question, because I have been connected with the presentation of the claim from its inception, first, its formulation in New York, then, later, its substantiation in China, and I went also to London and prepared proof which we want to submit at the adjudication for which we ask.

The payments were made to us during 1903 and 1904, and during that time we asked the State Department for the correction of a misapprehension on the part of the commissioners in China by which they disallowed certain items, although they had made awards of others similar. The State Department told us to procure and submit proof. That proof was necessarily rather prolonged in preparation, but was finally obtained and submitted to the Department in 1905. Later, in 1905, they made us the additional last payment of \$17,917.74 principal, and then told us again that that was all they could do under the precedents established within the State Department. The claim had never been outside the State Department, and we felt, in fact, we were told, that there was no use going to the State Department any more; that, as far as they were concerned, the case was finished. We knew what the next step would be, and, anticipating it, kept our case open before the State Department by the appeals we have made. We could not do anything more. We had been watching the matter, and when in June last the Chinese minister made a

speech in New York or Boston, where he stated that the promise had been made to him that the amount not required to reimburse the Government and private citizens for claims allowed would be remitted to China. We wrote again to the State Department, setting forth the equities of our claim (that was on June 20, 1907), and asking that before the remission was made our claim should receive such further attention by the proper tribunal as could be arranged.

We were told again, in the latter part of July, 1907, that the State Department could do nothing more. We knew then that we would have to wait until this matter came to Congress. We have not at any time neglected or abandoned our case before the State Department. It has been presented there and held before the State Department at all times and at all hazards, and as soon as the President recommended to the Congress the remission to China of all sums not needed to reimburse the Government and private citizens for claims we came down here and arranged with Mr. Kennedy to present the matter to the committees of Congress. That was done, and Mr. Kennedy asked one of the Senators to present our request for such information as would enable the committees of Congress to act intelligently as to the allowance that had been made. We are now before the House as the last resort. We have not neglected the matter at any point.

The CHAIRMAN. Had you warning that the bill would be acted on when it was?

Mr. AYRES. No, sir. I brought this matter up to emphasize the point that we are not asking the House to take action contrary to that of the Senate. We merely come to the House as the last resort.

Mr. PERKINS. If this claim was sent to the Court of Claims this question arises: Assuming the Court of Claims should make an adjudication or report that the company was entitled to \$250,000 or \$500,000 or any other sum under this provision of the bill, that money would of course be paid by the Chinese Government, because your request is that we withhold \$500,000 for the purpose of satisfying that demand. The real defendant is not the United States; it will not cost the United States one penny if we withhold \$250,000 or \$500,000 from China, but that claim is against the Chinese Government, and who will appear in the Court of Claims for the Chinese Government?

Mr. CHANDLER. The difficulty you have would not exist if you had been where I have been for the last six years, trying to become an international lawyer. The practice is this: When a government exacts indemnity in gross from another government for injuries done to its citizens the claim of every citizen against the other government is gone; it is released. The Government of the United States has released China from all these claims, and we have to look to this \$25,000,000 alone for the damages, and until you have passed a bill of some kind we can not have a formal adjudication—that is the situation. Ours is not a claim against China, but against this fund, based upon a right which our citizens once had but which is now gone; and one of the most important things in our case is the sacredness of the obligation on the part of the Government; of a Government that has undertaken to release the claim of a private citizen against another government, to make full and ample amends;

to afford a proper adjudication, which we do not think we have had. Mr. Bainbridge was not a lawyer. Mr. Ragsdale, possibly, may have been a lawyer.

The CHAIRMAN. Mr. Bainbridge's report is very good; he is a lawyer.

Mr. CHANDLER. I do not wish to be considered as criticising either of those gentlemen, but you know what the administrative examination of a claim at the State Department is. It has released our claim of \$500,000 against China without giving us the adjudication that we are entitled to. In the Coldera case Hubbell & Co. got an adjudication after seventeen years.

The CHAIRMAN. How long in the Alabama cases?

Mr. CHANDLER. I do not remember; a great while.

If it is agreeable to the committee, I would be glad to have you hear Mr. Christie.

The CHAIRMAN. You may proceed, Mr. Christie.

Mr. CHRISTIE. Mr. Chairman and gentlemen of the committee, I had expected that Mr. Ayres would be heard first, as he knows more particularly than I do about these different items. But the whole question at issue is so important to us as regards the future. This memorial describes at least the nature of our business with China. It was not the execution of orders given to us by Chinese merchants, which we found was not a kind of business that we could develop in size. If we were going to increase the sales of American cotton goods, we found that we would have to keep goods and sell them over the counter practically. We knew whether the goods were going to be in demand or not, and if we had them on hand when people wanted them, so that they did not have to wait to have them sent out, we could meet the demand and keep the people from going to the manufacturers of other countries.

That policy was very successfully developed until it was interrupted in 1900. Now, since that time after the lapse of two years, we went on doing business in the same way, believing that some day this claim of ours for the disasters which followed in the wake of the Boxer uprising would be adjudicated, and we did not feel that we had anything to fear at the hands of the legislative body of the United States. So we went on with our business. We developed it to such a size that I think almost any Representative or Senator from Georgia, South Carolina, Alabama, Texas, or New England, knows what this business is. If our shopkeeping policy in China is to be at the risk at all times of any disturbance on the part of the Chinese, I do not think we can afford to pursue it. I think we will have to stop all shopkeeping.

The CHAIRMAN. You do not hold the United States Government responsible for injuries to your business?

Mr. CHRISTIE. No, sir. Under the treaty we have a right to trade, and the Government must see to it that the people get protection through the rights of the treaty.

The CHAIRMAN. That was purely a domestic uprising?

Mr. CHRISTIE. No, sir; it was an international uprising.

The CHAIRMAN. In the case of an ordinary domestic riot you could not ask for compensation?

Mr. CHRISTIE. This was a dynastic difficulty.

The CHAIRMAN. Do you think it is likely that there will be a similar disturbance as in 1900?

Mr. CHRISTIE. I do not know.

The CHAIRMAN. The dynastic difficulty will probably take the domestic form.

Mr. GILL. Where have you set forth the facts on which you base your claim?

Mr. CHRISTIE. The details are all in the hands of the State Department and we have told the State Department that we have the vouchers and that they could have them.

Mr. GILL. For instance, I notice the item "Interest consisting of the sums paid to banks in the United States and China to carry loans on specific consignments of goods?"

Mr. CHRISTIE. We have the vouchers for those items.

Mr. GILL. Of course those are accounts any ordinary business man has, and I have seen nothing that gives any idea why you should be paid back money that was paid for interest on borrowed money. Did you have to carry the goods any longer than you otherwise would have carried them?

Mr. CHRISTIE. Yes, sir; some of them for two years.

Mr. GILL. Those are facts that would tend to make up the case.

Mr. CHANDLER. Those facts are at the State Department.

Mr. CHRISTIE. We have vouchers to prove those figures if we could get anybody to look at them.

Mr. AYRES. I think I can give you an outline of the nature of the business which will show you how the claim arises. Mr. Christie has described how we were led into this shopkeeping business, carrying stock in trade, and it is, perhaps, proper to describe something of the beginning of the business. In 1844 two young men came down from a town in the southeastern corner of Maine to Boston to go into business with a little capital of their own and with money loaned to them by their sisters, and which they repaid many times over afterwards. They established themselves in Boston, one of them an adventurous spirit, the very personification of the New England spirit which led to the early establishment of the commerce of this country. This one went out to China and established a small place there, his brother remaining in Boston, subsequently coming to New York. They continued that business during the early years, the years of romance in the China trade when there was little exporting from this country—a few things only—and they carried out of China tea, raw silk, silk goods, and staples of that kind on which the profits were large. When those days of romance had passed the business came into the hands of other men, the character of the business entirely changed, making necessary a change of methods. We had to abandon some of the articles brought into this country and extend the list of articles sent out of this country, and I think that it is not too much to say that the company with its new methods has been a large factor in the development of the trade of the Far East. One of the first articles that we took up was kerosene oil. Small shiploads were sent out at first, and we met the objection of the Chinese that they had been using bean oil for centuries which was satisfactory to them. It was thought that if kerosene oil could be sold in competition that it would answer their purposes.

The conservatism of the Chinese would not permit them to give orders for something new. We sent out the oil on our own account and kept it at Shanghai and sold it to the Chinamen, and as a result the business increased, and we pushed the sending of it into the interior markets. The trade in oil sent to China increased year by year under that method until it became so large that suppliers of oil in the United States took the business themselves and merchants were shut out. We had to turn to something else, and the thing that seemed to us most promising was American cotton cloth, the kind of cloth that you find made throughout the length and breadth of the Southeastern States, and we found precisely the same difficulty in that. The Chinamen were using English, Russian, and German goods and were satisfied with them, but we determined to push our cloth as we had the oil. We bought the goods without orders from the Chinese, sent them out to China, and helped the expansion of trade until in 1905 it had reached a volume of \$35,000,000, of which our own trade was more than 50 per cent. Taking one year with another we do as much business as all the other American merchants together in American cotton cloth.

I have made these notes from the cable messages which were received at the time of the Boxer uprising in 1900. On June 6 came this cable message:

Political troubles becoming serious. Business suspended at Tientsin.

On June 15 followed this:

Much disquiet felt about political situation here. Delay shipments as much as possible.

And then on June 19 another:

Banks will not loan any more. Warehouses are full.

As a matter of fact, we had seen the coming political troubles and had stopped the purchases for new business a little earlier.

Mr. GILL. What goods did you have on hand at that time and where were they?

Mr. AYRES. Between the period covered by the cables, June 6 and June 19, we had 75,000 bales of cotton goods.

Mr. GILL. Where?

Mr. AYRES. Some of them in Shanghai in warehouses; others shipped from the mills in the United States where we had to take possession of them, and on the way, and could not be stopped. Bills of lading had been issued and attached to drafts sold to banks in the ordinary conduct of our business. And there were other goods we had bought to be made at subsequent times, and goods on which we could and did suspend shipment for a year, held here in this country at the cost of carrying charges in this country.

Mr. GILL. Will your statement of damages show the exact goods, where they were stored, and the exact amount at each place of storage, etc.?

Mr. AYRES. Yes, sir; and the market prices and changes.

Mr. GILL. What was the gross amount?

Mr. AYRES. Between \$3,000,000 and \$4,000,000. That was the value of the goods. It was as though the Empress of China had come down to Shanghai, had put a seal on the warehouse, and said that for a year not a bale of those goods could be moved. For that year we

were subjected to these carrying charges of which the State Department has allowed us storage and insurance. It is unfortunate that there is no other word than "interest" to describe the further charge to which we were subjected. When we take the goods from the mill we get a bill of lading and surrender it to the banks for money which we need to carry on the business, and that charge of the bank, call it what you please, is as much an item of cost of those goods as any charge from the time the cotton is picked in the field until the cloth is put on the back of a Chinaman. I do not know any other name I can call it, but it is one of the actual charges, and by analogy, by common sense, by equity, we are as much entitled to that interest charge as we are to storage and insurance. There is no way of separating the three items. In order to make the statement cover every detail as we knew it we separated that into those three items.

The CHAIRMAN. I notice that you have the term "depreciation of American cotton goods on hand." Does that merely indicate the difference in the selling price on the day when you got them into China and the time you sold them, or the actual depreciation?

Mr. AYRES. The date on which the claim was made up, May 1. The goods had a certain fixed value which is determinable by the public market records on June 6 to June 19, 1900, and they had a certain fixed value determinable by the same public records on May 1, 1901, when the claim was made up. We are not asking for anything speculative or imaginary, to use the language of the State Department; what we wish is an opportunity to prove the actual money loss between those two fixed points.

Mr. CHANDLER. Do I understand correctly that this claim for interest paid was to carry these goods, that they were stored within the jurisdiction of China and were stored by reason of these difficulties?

Mr. AYRES. Yes, sir; that is it. We add the actual cost of the carrying charges for a year. We separated them because the other two items had been paid.

Mr. CHANDLER. In the ordinary course of your business you of course borrow money to carry on your business?

Mr. AYRES. Yes, sir; we discount our bills. We take a documentary bill to the bank and get the money.

Mr. CHANDLER. Those goods would not have had to be carried?

Mr. AYRES. No. In the ordinary course of business, goods move out within the time of the drafts, which is four months. These were carried for over a year.

Mr. CHANDLER. The other item of \$239,000 is for the depreciation caused by delay while in storage?

Mr. AYRES. Depreciation in value. Perhaps I should add a word in explanation of the conditions. The business was growing, as I said, up to 1905, when it was a little overdone. It was swinging up from 1898, when the policy was first vigorously put in action. In 1900 it was in full swing. They actually not only bought our goods, but the people were sending orders through us and other houses and there was a very bright outlook.

All through the fall, although the legations had been relieved and business was supposed to be resumed, we could not sell goods in the interior because they were foreign goods. A Chinaman in Shanghai

to whom we sell, who is our merchant there, is exceedingly timid. There were roving bands of Boxers destroying foreign goods because they were foreign goods, and all the winter of 1900-1901, because of that and on account of the usual stoppage of navigation to Tientsin and Newchwang by ice, there was no movement. In the spring of 1901, when the Chinese would ordinarily have begun buying, they did not buy because they were timid and afraid, and it was only after our offer to send our own goods up to Tientsin that they finally mustered courage to do some business. The merchants were afraid to take the risk of sending goods in usual volume to the territory that had been disturbed; they distrusted their own Government, and we had to sell goods for what they would bring. We could not hold them indefinitely. We sold them all during that year. It was not until the spring of 1902 that business resumed normal conditions.

The CHAIRMAN. Yours is the largest American house in China?

Mr. AYRES. Yes, sir.

The CHAIRMAN. You deal in over 50 per cent of the cotton goods exported to China?

Mr. AYRES. Yes, sir.

The CHAIRMAN. The second largest house is the American Trading Company?

Mr. AYRES. It varies from year to year in size; I do not know just how it is.

Mr. CHRISTIE. The American Trading Company in China has not done very much.

The CHAIRMAN. I find that the American Trading Company had a claim of \$264,000, and received something like \$50,000. Have you any idea upon what their claim was based?

Mr. AYRES. We did not know it existed.

The CHAIRMAN. The Powers informed China that they would demand equitable indemnity, and then the Powers met together and drafted a joint note to China, or it was in the joint note that they demanded equitable indemnity, and said that they would ask for indemnity for the merchants to restore them to the condition in which they were before the outbreak occurred?

Mr. CHRISTIE. Yes, sir; that is it.

The CHAIRMAN. That is the language used in the joint note to China demanding indemnity. Then the powers met and agreed upon certain claims which should be allowed and certain others which should not be allowed. Some of those claims appear to come in the class of claims to be disallowed, and our commission acting on that disallowed them.

They also made certain rules as to what should be allowed for stock in trade destroyed or deteriorated. That I would say means difference in price.

Mr. CHANDLER. What our word "depreciation" may mean in the language of the various other countries we do not know, but depreciation might mean reduction in price.

The CHAIRMAN. Then they have an item "cost of storage and insurance."

Mr. CHRISTIE. They have allowed the storage.

Mr. AYRES. There is one point of which I may speak; that is, why we could not have taken away from Shanghai goods detained there and sold them elsewhere.

Mr. GILL. I rather gathered from what you said that they were detained absolutely.

Mr. AYRES. We could have taken them out of Shanghai if that had been suitable, because there was no blockade, but the peculiar nature of the case is this, that the goods were made specifically for the China market and there is not a market for them in any other part of the world. We tried to sell those goods here in this market but we could not do it. We sent them out to Shanghai because there was nothing else to be done. We could have brought the goods from Shanghai and paid the freight to some other place, but they would have had to go back to Shanghai ultimately, because nowhere else are such goods used.

The CHAIRMAN. Did you try properly and by all means in your power to minimize your damages?

Mr. AYRES. Yes, sir; we tried to sell in this market the goods which we were under contract to take from the mills, but we could not sell them, and we did not want to disturb those goods already in China as we could not sell them in this country. There was no other market for them.

The CHAIRMAN. Could you have sold them at a loss in China?

Mr. AYRES. There was no market at all. At the very first opportunity of moving those goods we tried to persuade the Chinese to take them and in every way we made the earliest possible disposition of the goods.

The CHAIRMAN. Do you regard your method of doing business in China as more beneficial in creating markets?

Mr. CHRISTIE. Yes, sir.

The CHAIRMAN. Are you the only house in China pursuing that policy?

Mr. CHRISTIE. Yes, sir; the only house handling American goods. There are other houses handling Manchester and German goods in similar manner.

Thereupon the subcommittee adjourned.

FEBRUARY 10, 1908.

The subcommittee, consisting of Hon. Edwin Denby (chairman), Hon. James B. Perkins, and Hon. John Gill, jr., met this day at 10.30 o'clock a. m.

Mr. DENBY. The subcommittee will come to order. Mr. Ayres, we are met to-day mainly to hear any supplemental statement you have to make in regard to the affairs of the China and Japan Trading Company and its losses incurred at the time of the Boxer uprising.

STATEMENT OF MR. HOWARD AYRES, OF NEW YORK, SECRETARY OF THE CHINA AND JAPAN TRADING COMPANY, LIMITED.

Mr. AYRES. Mr. Chairman, I made a pretty full statement the other day, and if you can tell me to-day along what particular line you want a statement made, or on what particular facts, I will be glad to explain fully.

Mr. DENBY. We want to have presented here, as clearly as you can, just how your loss was incurred, with as much reasonable detail as you can give.

Mr. AYRES. Yes.

Mr. PERKINS. Have you here the statement in regard to that?

Mr. AYRES. There has been a supplemental statement printed, dealing mainly with the legal aspects of the case. I do not think it is material at this moment.

Mr. DENBY. No; I understand. What Mr. Perkins and myself want here to-day is just the details of the loss.

Mr. PERKINS. At some time, either immediately or afterwards, for my own information, I would like to ask a few questions.

Mr. DENBY. You may ask the questions now. They will probably develop what we want to know.

Mr. PERKINS. Yes. I have a theory that you can sometimes get more information by the lawyer asking questions than by allowing the witness to tell a tale.

Mr. DENBY. I agree with you.

Mr. PERKINS. When was your company organized?

Mr. AYRES. As a corporation the company was organized in 1876, but that was merely carrying on in a different form the business which was established in 1844 and brought to New York in 1847. There has been done a continuous business since that time.

Mr. PERKINS. Since 1844 this corporation has been doing a business all over China?

Mr. AYRES. No, sir. Under the conditions by which we are constrained in China we have to ship our goods to Shanghai and there surrender them by sale to Chinese merchants. Native business is conducted in China under the supervision of guilds, trade organizations, which exercise a control over business operations such as is known nowhere else in the world, and foreign merchants taking goods into China can not, under severe penalty of losing their business, go back of these guilds of native merchants. We can not go to the consuming markets. There has been, since the Boxer outbreak and the settlements with the various governments, some direct business with the Northern ports on the part of foreign merchants of other nations. There has always been some little business in those northern markets by merchants buying goods in China and shipping them out; but as to all import business, it practically stops at Shanghai.

Mr. PERKINS. Then you sold your goods to the Chinese merchants at Shanghai, and they sent them out into different parts of China for distribution?

Mr. AYRES. Yes. Except by inductive reasoning, we know nothing about the goods after we turn them over at Shanghai.

Mr. PERKINS. These goods are sold in different parts of China in that way?

Mr. AYRES. Yes.

Mr. PERKINS. That is the way they have been sold for many years?

Mr. AYRES. Yes.

Mr. PERKINS. How large is your business? What is its capital?

Mr. AYRES. The capitalization is \$700,000, and we sometimes do a business running considerably over \$20,000,000 a year.

Mr. PERKINS. You buy goods from various manufacturers in the country?

Mr. AYRES. From manufacturers' agents.

Mr. PERKINS. What are the classes of goods that you buy mostly?

Mr. AYRES. For China the greatest article of export, so far as the ordinary merchant is concerned, is cotton cloth. There are, of course, a host of other things, small in themselves, but amounting to a fair aggregate. But they are of no particular consequence in the connection. Of course, kerosene oil is a thing by itself. The merchants formerly did a business in that, but it is done now by the producers of oil, who do the business direct.

Mr. PERKINS. Your company is also doing business in Japan?

Mr. AYRES. Yes, sir.

Mr. PERKINS. What kind of goods did you sell in China in 1900?

Mr. AYRES. I have not the exact figures here, but we were doing in 1900 the largest business in this particular class of merchandise which is the only thing concerned in this question—that we had ever done. In 1900 the trade was opening up as it had never been before.

Mr. PERKINS. In cotton goods?

Mr. AYRES. Yes; it was reaching out to that total which it subsequently reached in 1905.

Mr. PERKINS. I will change that question a trifle, if you will excuse me. What business did you do in 1895?

Mr. AYRES. Our total business in cotton cloth in 1895 was—

Mr. DENBY. Why not put it in for the year before the outbreak?

Mr. PERKINS. Yes, two or three years, so as to get the average.

Mr. AYRES. Perhaps I can give you an answer at a longer range commencing in 1881, when the statistics of this particular article of merchandise were first kept. It commenced at a total for the whole of China of about \$2,000,000, and it ran up to \$4,000,000, and then it dropped a little, and then went up again, and there has been an almost steady rise from that \$2,000,000 up to 1905, when it reached between \$30,000,000 and \$40,000,000.

Mr. PERKINS. This insurrection broke out when?

Mr. AYRES. In 1900.

Mr. PERKINS. Can you give us the average of a period of five years' sales prior to that?

Mr. AYRES. It was perhaps \$3,500,000, our own business.

Mr. PERKINS. Cotton goods?

Mr. AYRES. Our own, yes.

Mr. PERKINS. Your own?

Mr. AYRES. Yes; that was our share of the business.

Mr. PERKINS. Then the other figures of \$30,000,000 or \$40,000,000 in cotton goods sold represent all the concerns in that business?

Mr. AYRES. Yes. I was speaking of the whole amount.

Mr. DENBY. Does that represent cotton goods from everywhere including India, or just American cotton goods?

Mr. AYRES. Just those exported from America.

Mr. PERKINS. Was your business normal in 1899?

Mr. AYRES. Yes, sir; with this upward tendency.

Mr. PERKINS. The Boxer insurrection broke out in the spring of 1900?

Mr. AYRES. Yes, sir; in the spring of 1900.

Mr. DENBY. The early summer.

Mr. AYRES. I will give you the cables which came from our Shanghai branch. We knew that North China was politically disturbed. I do not think anybody knew very much what was happening up there, except that this Boxer movement was rising back in the country. But so many disturbances of the same sort had come over China that we did not pay much more attention to that than to the ordinary disturbances in China. But on June 6 our Shanghai branch, this was part of the testimony before, cabled us:

Political troubles becoming serious. Business suspended at Tientsin.

That was the first warning that we had of the serious character of the movement.

Mr. DENBY. What date was that?

Mr. AYRES. June 6, and on June 15 they cabled again:

Much disquiet felt about the political situation here. Delay shipments as much as possible.

This applied to cotton goods, because they were the only goods we were shipping. Then four days later, June 19, they say:

Banks will not loan. Besides, warehouses full.

We had already, on the previous warnings, suspended our shipments, and on this repeated warning, thirteen days later, we stopped everything we could. Of course some goods were on the way, ordered from the mills, and goods were scattered all the way from the mills in the South, from which our goods come, to Shanghai, on the water and on the land. Moreover we had some contracts freight space. We cancelled most of them, but some of them we had to fulfill, so that at that time, say June 15, when the stoppage occurred in Shanghai, our goods were in three positions: Some on the spot there, a great quantity in the warehouses there in Shanghai; others, that we designate as afloat, a convenient trade term, meaning that they were somewhere between the point of origin and the destination, and then there were others that we held and did not ship until 1901.

Mr. PERKINS. Do you buy goods in this country to fill orders that you have received in China?

Mr. AYRES. To some extent, but a great part of our business is that of a merchant, because in that way we have built up this large business. Our business, and, in consequence, the business of American mills, would not have been so large if we had not bought these goods, knowing from past experience that we could develop a market for them. We sent them out there and encouraged dealers to take them and send them up North. Just so for the last few years we have been trying desperately to develop a newer market up the Yangtse Valley. Mr. Hay once asked Mr. Christie if we could not get a share of that large business which England has in the Yangtse Valley. We have the equivalent in American cloth of the ten-pound goods made in Manchester, England, and are sending trial shipments of them up there. There is a period during the winter in which the northern ports, Tientsin and Newchwang, on the Gulf of Pechili, are closed by ice, and then the steamers which carry the greater part of these goods can not go there. Between the first week in December and the first week in March there is but little movement out of Shanghai of these goods.

Mr. PERKINS. Are the shipments scattered through the remaining months of the year?

Mr. AYRES. Yes.

Mr. PERKINS. I presume you scatter your purchases throughout the different months of the year?

Mr. AYRES. Yes. The Chinese merchant is a fair judge of cloth but buys more on brands than quality, and in order to get our supplies of certain brands to meet the requirements of trade, we buy from the mills all that we can use for that purpose during a series of months. Sometimes our contracts will call for all the cloth made during a period of six months, according to the opportunities before us. We try to keep a watch on the trade in Shanghai, we try to keep a watch on the productive capacity of the mills here, and make the two things fit in together.

Mr. PERKINS. How much stock have you usually on hand in the warehouse in Shanghai?

Mr. AYRES. They have public warehouses there, you know.

Mr. PERKINS. In warehouse in Shanghai, I will put it?

Mr. AYRES. Perhaps the best answer to that is to say that the stock that we had in those three positions that I described for the supply of trade in 1900 was normal, and was between \$3,000,000 and \$4,000,000 worth of these goods. But there was a congestion there that in ordinary times would not have occurred for the goods would have moved off. We try to keep our stock down so as not to exceed \$2,500,000 in stock, shipped and to be shipped.

Mr. PERKINS. You mean you had \$3,500,000 actually in stock in Shanghai?

Mr. AYRES. Yes, in 1900 there in stock in Shanghai, or so near Shanghai that we still had control of the situation; either by actual goods, or goods that we could supply at any time when an emergency or necessity arose.

Mr. PERKINS. Then you keep in warehouse there the goods that you will sell in the year?

Mr. AYRES. No. In 1905 we sold about \$15,000,000 worth.

Mr. PERKINS. I am asking about the admissions in 1900.

Mr. AYRES. No; there would not have been at any one time as much as that. Perhaps I misunderstood your question. We try to keep our unsold interest not over that, so that whether the goods are in Shanghai or on the way, or still to be shipped, they shall not exceed \$2,500,000. There is no constant demand at Shanghai. It varies according to the conditions of trading. Sometimes stock piles up, as it did in 1906. In 1906 there was a congestion of stock. But ordinarily we try to keep it about that.

Mr. PERKINS. You say that in 1905 your sales were about \$15,000,000.

Mr. AYRES. Yes, sir.

Mr. PERKINS. Prior to 1900 they had been only about \$3,500,000?

Mr. AYRES. Yes.

Mr. PERKINS. In other words, there has been an enormous increase since 1900?

Mr. AYRES. It was overdone in 1905. In 1905 there was twice as much done as the average. In order to be perfectly safe and to be free from the reaction, a trade reaction which might occur in New

York or London or elsewhere, in 1905 we should not have shipped over \$7,500,000. But the Chinamen urged us to do it.

Mr. PERKINS. Your sales from 1900 to 1903 and 1904 had largely increased?

Mr. AYRES. Yes. We had planned for that business and developed it. It was a normal increase in trade from \$3,000,000 or \$4,000,000 in 1900 to a normal of perhaps \$8,000,000.

Mr. PERKINS. How much were your sales in 1901?

Mr. AYRES. I am sorry that I have not my figures with me. They were small, because the trade was a very halting one, and in the spring of 1901, when the demand arose, but in a most halting way, from the northern markets, following the disturbance of 1900, we found it exceedingly difficult to persuade the Chinaman that it was safe for him to send up the goods again to the territory disturbed. We even went so far at first as to offer to send up our own goods, provided he would not consider it as an interference with his market, and take the risk ourselves, and later we did send some small shipments up there in the spring of 1901. It was the end of 1901 before native merchants began to reach out for the normal trade which developed in 1902.

Mr. PERKINS. When did the Boxer insurrection cease?

Mr. AYRES. I suppose historically it ceased with the relief of the legations in August, 1900. But roving bands of these people were moving about the country, and no shipments were sent out of Shanghai to the markets at the north until the following year.

Mr. PERKINS. What were your sales of goods in 1900?

Mr. AYRES. Our sales were stopped short.

Mr. PERKINS. When did the insurrection first break out? You said you first received notice of it in June.

Mr. AYRES. It broke out between June 6 and June 19, the period covered by our cables.

Mr. PERKINS. Had not any goods been delivered prior to that?

Mr. AYRES. Oh, yes.

Mr. PERKINS. How much?

Mr. AYRES. In March, April, and May, and the half of June we had perhaps \$1,500,000 worth. Everything pointed to a large business that year, and we had prepared ourselves for it. I can give you all these figures absolutely, because they are matters of record in our office, sales and deliveries, and all the facts pertaining to the trade.

Mr. PERKINS. How much larger orders had you given in 1900 on this side than in 1899?

Mr. AYRES. About 50 per cent larger.

Mr. PERKINS. In other words, you anticipated an increase of 50 per cent of business?

Mr. AYRES. We had it.

Mr. PERKINS. How did you have it?

Mr. AYRES. By the encouragement of Chinamen.

Mr. PERKINS. You did not have orders, but thought you would have orders?

Mr. AYRES. Yes; but that was the natural drift of trade. We do not go into these things haphazard, Mr. Perkins. We know with as much accuracy the probable movement of trade as the railroad managers ever do when they follow the trend of trade here by pro-

hiding-cars to meet the movement of goods at any place. The Chinamen had commenced to buy in August and September of 1899, as they usually do, for their needs in 1900, and we knew from our experience that there would be good business; and so it was, up to the very time that the latest purchases from us out of our stock were made by the Chinamen in 1900; within a few days of this stoppage of business by cable. They had bought these goods and paid full price for them.

Mr. PERKINS. Do you not sometimes overestimate the probable volume, just as you did in 1905?

Mr. AYRES. Yes.

Mr. DENBY. If the court should allow that you are entitled to nothing in advance of the normal amount of business you did in the year 1899; that is to say, if the court should say that all other business was speculative to a certain extent, how would that affect your claim? Would it cut it in two?

Mr. AYRES. It might perhaps cut the one item in two, but it would still leave a large amount.

Mr. PERKINS. What item?

Mr. AYRES. The depreciation in value.

Mr. PERKINS. How do you reach that amount?

Mr. AYRES. I went to Shanghai particularly to gather information on that point. We were selling goods throughout the period of active business in 1900, commencing with the Chinese new year about the middle of February—

Mr. DENBY. We are now in the midst of it?

Mr. AYRES. Yes; this year it occurred on February 2, but the time changes each year, like Easter. It is a fluctuating period. From the date that business was resumed, within a week after the Chinese new year celebration, until the middle of June, we were doing very active business; and, taking the average value of those three months and the average values for precisely the same class of goods when we resumed business in 1901, between those two periods, or an average period of two or three months, when we had to stop selling and when we resumed selling—I went over the whole thing myself and can explain it item by item, using the claim as it was filed with the commissioners in 1901—

Mr. PERKINS. In 1901 did you sell any goods below cost to you?

Mr. AYRES. Yes, sir.

Mr. PERKINS. How much?

Mr. AYRES. By the figures represented in this column [indicating

Mr. PERKINS. You say this depreciation was reached by taking the figures at which you sold in 1900 and comparing them with the figures in 1901?

Mr. AYRES. Yes.

Mr. PERKINS. I presume the figures at which you sold in 1900 showed a profit?

Mr. AYRES. The business is done, Mr. Perkins, on a basis of 1½ per cent; and, considering the character of the risk in the business, it is rather a narrow margin.

Mr. PERKINS. You must charge more than the cost of the goods or you would go into bankruptcy?

Mr. AYRES. No; the interest on the cost of the goods and 1½ per cent. Our average at this time is \$8,000,000.

Mr. PERKINS. Let us go back to 1900.

Mr. AYRES. I was going to explain that our Chinese business is not our only business. We have three branches in Japan and one in London, and correspondents in Hongkong and Vladivostok and correspondents in San Francisco.

Mr. PERKINS. I should not think that 1½ per cent would pay the interest. You must carry them six months.

Mr. AYRES. That is included in the cost. We must necessarily include it. The business is done on this basis, that—

Mr. PERKINS. What was the gross profit? What was the difference between what you paid for the goods and what you got for the goods in Shanghai?

Mr. AYRES. One and one-half per cent.

Mr. PERKINS. That is the difference between what you got them for in South Carolina and what you sold them for?

Mr. AYRES. It would be impossible to answer that question. We pay for the goods in South Carolina—we pay for them so many gold cents per yard. We invoice them in New York at that cost, plus the freight and insurance, and we make a bill payable in London, and in that bill we include the interest for four months after arrival at Shanghai. That is not peculiar to our business alone. It is the basis on which every export shipment is sent out of the United States.

Mr. PERKINS. You have an item of interest, \$256,000 more.

Mr. AYRES. That is beyond the four months for which we had our drafts drawn. These goods were carried for practically a year, and we had to pay the banks to carry those goods. We had to borrow the money. Our capital was not sufficient to enable us to carry so large a volume of goods without borrowing money from banks.

Mr. PERKINS. Two hundred and fifty-six thousand dollars is 6 per cent on over \$4,000,000 for over a year. We would like to hear about that. Please explain how that is an overestimate.

Mr. AYRES. It is not an estimate. It is set down item by item in the column.

Mr. PERKINS. The question is whether that amount of interest should be charged as a loss resulting from the Boxer invasion. It is the interest on \$4,000,000 at 6 per cent for more than a year.

Mr. AYRES. For one thing, we had to pay 7 per cent interest. For another thing, if we can not prove these items of our claim we do not expect to collect them. We want a chance to set out all these things in support of the claim as filed with the commissioners, and we expect to be asked by the Court of Claims or any other tribunal before which you send us to give the proof on these items. If we can not prove them, of course we can not collect them. When it comes to explaining or proving, at such a hearing as this, items of account, it is an exceedingly difficult thing. When you ask us later for the proof, we will give the whole thing, and vouchers and other evidences of proof.

Mr. PERKINS. You claim that you paid interest to the amount of \$256,000 which you would not have paid had it not been for the Boxer insurrection?

Mr. AYRES. Yes, sir.

Mr. PERKINS. You claim that in addition to that there was a depreciation in goods of \$239,000?

Mr. AYRES. Yes, sir.

Mr. PERKINS. There might be a loss of interest if you did not sell your goods. Of course that is perfectly apparent. If a man does not sell his goods he does not receive the interest. That follows necessarily; but the depreciation does not necessarily follow. You may be delayed a year in the sale, but barring some special reason, why were not the goods worth in 1901 as much as they were in 1900? I am not arguing against this, but these questions are asked merely for information.

Mr. AYRES. I am very much gratified at the interest you have shown. The point is, as I have explained, that in the spring of 1901 the Chinese merchants were timid or afraid to take up the business, and it was the first opportunity we had to sell the goods. We did not sell a bale in all that time of interruption, and in the spring of 1901 we felt confident that if the Chinaman could take the goods and send them north, he could dispose of them. He did that. We sold them for what he was willing to give. We made sacrifices in order to move them. We could not go on indefinitely until the Chinamen gathered courage enough to send them. We took that first opportunity of getting rid of them at what seemed to be a necessary sacrifice in order to move them at all.

Mr. PERKINS. Why did the Boxer disturbance prevent sales in the northern provinces?

Mr. AYRES. The character of the insurrection which culminated in the siege of the legations describes the nature of the movements sufficiently. It was over all that area, taking in the north of China and practically the whole of Manchuria, which is the market for American goods. The Boxer movement was a movement directed against foreigners and foreign goods. Wherever the foreign goods were found, whether in the hands of a foreigner or a Chinaman, they were destroyed because they were foreign goods and the Chinese merchant would not send the goods into that country because he feared the destruction of his goods because they were foreign goods.

Mr. PERKINS. What other American houses are there that deal largely in American goods in China?

Mr. AYRES. There are a half a dozen, but none doing just the sort of business that we do. They do what we term an indent business—an order business. They go out and ask the Chinaman for orders for American goods, and unless they get orders they do not buy. It is always a timid and hesitating business.

Mr. PERKINS. They get orders in advance, and order the goods in this country to deliver to the Chinese merchants?

Mr. AYRES. Yes, sir.

Mr. PERKINS. Was it necessarily the case with orders of that kind to meet goods that had been shipped and must otherwise have been refused?

Mr. AYRES. They were not refused. The Chinaman paid for the goods, and paid the carrying charges also.

Mr. DENBY. But there were certain contracts broken, and the Government reimbursed the merchants in every instance.

Mr. PERKINS. I was going to ask why there should not naturally be a considerable number of claims, similar to yours, of persons doing business in China similar to your business. I am only asking you for information.

Mr. AYERS. We have no claim for that sort, and I understand, Mr. Chairman, that no other house has a claim of that sort.

Mr. DENBY. You mean for goods contracted?

Mr. AYERS. Yes.

Mr. DENBY. There were any number of claims, and they were paid in full, where the Chinese merchant was prevented from taking his goods under contract under the same circumstances as those in the case of the China and Japan Trading Company, which was dealing without contracts. In every instance where an American merchant proved his claim that he had a contract with a Chinese merchant and that the Chinese merchant, owing to the Boxer uprising, had been unable to carry out his contract, that merchant was reimbursed.

Mr. PERKINS. The point is whether there must not necessarily be a large number of Americans who had claims larger or smaller of the same character as yours.

Mr. DENBY. There were very few Americans doing that kind of business.

Mr. AYERS. The State Department must have heard substantially from all others.

Mr. PERKINS. There are comparatively few others?

Mr. AYERS. Yes; the American Trading Company, Fearon, Daniel & Co., and Wisner & Co. The rest are foreigners, I think, mostly, such as Arnhold, Karburg & Co., and Carlowitz & Co.

Mr. DENBY. Those are German firms?

Mr. AYERS. Yes, sir. The stoppage was absolute. We did not move any goods out of Shanghai.

Mr. DENBY. Contractual losses were reimbursed.

Mr. AYERS. There is no item in our claim for losses under contract.

Mr. PERKINS. As I understand, you claim that you are the only large house which has been willing to send out goods to China in order to obtain orders there, instead of refusing to send goods until they were already purchased?

Mr. AYERS. Yes, sir; that is it.

Mr. DENBY. You made an exception in favor of the American Trading Company, which also does some of the business?

Mr. AYERS. They do some.

Mr. DENBY. I do not know the character of their claim, but I assume it is a similar transaction.

Mr. AYERS. We have not stirred other people up, and I have not made any inquiries as to what they received.

Let me repeat, Mr. Perkins, what I said the other day. I think it is part of the record of the first hearing. Years ago, when the business of China began to open up and it became a field for export from this country of articles in considerable quantities, we found our best article to be kerosene oil. We bought that and first tried to get orders for it over there, telling the Chinese it was a cheaper and better light. They said: "No; the bean oil has always answered our purpose very well, and it will answer still. We have used it always, and it is cheaper and better," and so on. We felt pretty sure we could sell them kerosene cheaper, and because we could not get orders in advance we sent cargoes over there, and put them on sale in our warehouse. Then we built up that business to a very considerable

size with just such methods as we are pursuing now with the American cotton goods. It became so important a business that the producers of American kerosene oil took the business over themselves, and they are doing it now, and sending the oil over, and are carrying the stock and distributing it.

Mr. PERKINS. Why, then, did they not sustain the same losses that you did?

Mr. AYRES. I understood Mr. Denby to say the other day that they had made a claim and had been paid.

Mr. DENBY. The Standard Oil Company had a claim which was presented and allowed in full.

Mr. AYRES. I think it was in 1892 that they came and took the business away, and these cotton goods seemed to be the best article to supply the place of the oil. We commenced with those in a similar way, buying goods and sending them over there and urging the Chinamen to take them, and to send them up into the country that had never known them before; with these American goods we have displaced the English and German goods that went there formerly so much, and we have done that to such an extent that no goods of this character are now made in Manchester, where most of those goods first came from. The English mills are now supplying the Yangtse Valley, where we are going after them again, and German goods go in there in very small quantities.

Mr. DENBY. The Indian cottons go in there, do they not?

Mr. AYRES. No, sir; they are sending yarns. We are displacing large quantities of the native hand-loom cloth. You have seen it, Mr. Denby, on the banks of the canals, where instead of taking up the slack of the loom on a bar, they string it away out and get a girl or boy to stretch it so as to make the proper tension for the shuttle, a piece of cloth eighteen inches or so wide. Against all those goods we are pressing the American goods in competition.

Mr. PERKINS. Here your company has a capital of \$700,000. Here you were doing a business of \$3,000,000 or \$3,500,000 a year before?

Mr. AYRES. In this particular line of goods, yes.

Mr. PERKINS. At a net profit of $1\frac{1}{2}$ per cent?

Mr. AYRES. Yes, on these goods.

Mr. DENBY. A net profit?

Mr. AYRES. Yes. Mr. Perkins, I think, is a little bit confused by what I have said. I said that the $1\frac{1}{2}$ per cent is not on the purchase price here in New York, but on the cost of the goods landed in Shanghai.

Mr. DENBY. The selling cost, freight, and all charges added?

Mr. AYRES. Yes. Other people, who do as much altogether as we do alone, go into the market and are willing to take orders on precisely the goods we sell on a commission of $1\frac{1}{2}$ per cent, so that that is a barrier against which we are held.

Mr. PERKINS. As to the volume of business of that amount on which there would have been a profit of \$50,000, the figures of loss that were submitted here are 80 per cent of this one year's deal; 80 per cent of your whole capital stock. Is not that wiping out a large amount of capital stock enlisted on one deal?

AYRES. That is the claim. As American citizens we claim that we are entitled to that. You will recall that the rules for the assessment of indemnities adopted by the Powers have this clause:

Goods shall be assessed as far as possible in conformity with the above-mentioned principles with a view to putting governments, societies, companies, and private individuals back in the position in which they would have been in if the movement of 1900 had not taken place.

PERKINS. As you would have been?

AYRES. Yes. It wiped out a surplus we had accumulated as the result of some years of pretty hard work. We want to prove that that is all.

DENBY. As to this interest item, exactly what is that? How does it arise?

AYERS. It arises from amounts paid to the banks for carrying goods for an unusual time.

DENBY. It means that you contracted for goods here at home through the merchants and borrowed the money for the goods, and paid the merchants, and expected to sell the goods and expected to reimburse yourselves and pay the interest, but you failed to sell the goods and were compelled to continue your loans and pay interest on the loans while the goods were in the warehouse and a dead loss?

AYRES. That is it precisely.

DENBY. And then when the goods were finally sold, they were sold at a price less than you purchased them for, and therefore you lost the amount it cost you to pay the banks to carry your loans, and in addition the amount you sold the goods at less than what you had purchased them at?

AYERS. Yes, sir. That states it very clearly.

DENBY. This, in other words, does not represent profit at all?

AYRES. No, sir. We are asking nothing for the earnings. It is a dead loss. It was not so much the price that we paid for them, but the price at which we were selling them at the time of the detention, which was within $1\frac{1}{2}$ per cent of the actual price.

DENBY. Your storage charges were for the rent of warehouse, and so forth?

AYRES. Yes.

DENBY. Your fire insurance, \$16,000 allowed, is the additional amount that the companies compelled you to pay because of the balance?

AYRES. No, sir; it was the protracted period during which we had to keep them stored.

DENBY. It was not heavier then than at any other period?

AYRES. There was a congested condition, and rates may have been higher in consequence.

DENBY. There was a greater danger of destruction by fire because of the congestion?

AYRES. Yes, sir.

DENBY. That has been refunded to you?

AYRES. Yes; fire insurance and storage charges have been

DENBY. Interest and depreciation have been disallowed?

AYRES. That is the fact.

Mr. DENBY. Now we were figuring on that \$3,000,000 that you had in stock in 1900. Your net profit would have been exactly \$45,000 at 1½ per cent.

Mr. AYRES. Yes. Of course that is an average.

Mr. DENBY. But that has no bearing whatever upon your losses?

Mr. AYRES. No.

Mr. DENBY. You are not trying or expecting to get reimbursement for that, but simply trying, in the terms of the note of the Powers to the Chinese Government—you are trying to be restored to the position you would have been in?

Mr. AYRES. Yes.

Mr. DENBY. But you have lost beyond recall the profits you would have made?

Mr. AYRES. Yes. Here are the exact words:

Put back to the position in which we would have been.

Mr. DENBY. Yes.

Mr. AYRES. That is all, and we expect to prove our claim to that extent.

Mr. DENBY. I wish you would make a memorandum, if you can conveniently, of the bulk of the business you did for three or four years prior to 1900; also, of the business you did in 1900, and a further memorandum, more or less detailed, of the goods you carried in 1900 and which occasioned your loss, and then a further memorandum of the business you did up to 1905.

Mr. AYRES. I will. I will send it to you.

Mr. DENBY. You can submit that in writing.

Mr. AYRES. Very well. Our own shipments of American cotton cloth for calendar years are, approximately, as follows:

1895 -----	\$1, 600, 000	1900 -----	\$3, 000, 000
1896 -----	3, 000, 000	1901 -----	7, 000, 000
1897 -----	2, 000, 000	1902 -----	8, 000, 000
1898 -----	4, 800, 000	1903 -----	5, 600, 000
1899 -----	6, 000, 000	1904 -----	9, 000, 000

These are values of shipments out of the United States, and do not necessarily coincide with movements out of Shanghai to consuming markets for same calendar periods. Thus, a large part of one shipment for 1899 was made in the last two months of that year, anticipatory of the business at Shanghai for 1900. So also the shipments of 1900 appear small because nothing was shipped out of the United States by us owing to the Boxer outbreak after May of that year. The shipments of 1901 were made chiefly in the latter part of that year, anticipating the trade of 1902.

What we did in cotton cloth in 1899-1900 is shown above, and so much of it as is concerned by our claim is set forth in complete detail in the claim itself as presented to the Commissioners in China and on file in the State Department.

