

MAY 2 1938

March 26, 1938.

Report for the week ended

Submitted by: **DEPARTMENT OF COMMERCE**
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BUREAU OF FOREIGN AND DOMESTIC COMMERCE
(Title)
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WEEKLY ECONOMIC REPORT

APR 30 1938

FOREIGN TARIFF DIV.

Exports from Central China by means of the Canton-Hankow Railway.

CONTENTS NOT TO BE DISSEMINATED IN ANY FORM

With reference to my Weekly Economic Report for week ended March 19, 1938, under the heading "Export Situation at Hankow, with Particular Reference to the Ability of Non-Chinese Firms or Non-Official Agencies to Move Export Commodities", I now have a confidential letter from Consul General Paul R. Jesselyn at Hankow giving greater details and sidelights which are of interest and which I quote below, with special emphasis upon clarifying the subject of alleged discrimination against foreign exporters desiring to use the facilities of the railway for export:

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"The key to the whole export problem lies in the inadequacy of the transport system, which has been restricted since the definite closing of the Yangtze River in December, to the Canton-Hankow Railway. An acute shortage of freight cars has existed at all times and it has been necessary to devise a quota system. Much cargo has piled up at Hankow awaiting transportation and that condition still obtains at the present writing. Nevertheless, the railway authorities have taken steps to improve the commercial freight service and, despite pressure from the military authorities and frequent bombings and the consequent interruptions, have succeeded in increasing the number of available freight cars from a weekly average of 12 cars in January to 25 cars in February. It is understood that the railway authorities and the Ministries of Finance and Economics are endeavoring to arrange for even more cars and there are prospects that this will eventuate in the near future. Parenthetically speaking, the central government authorities in Hankow, like foreign and Chinese exporters, are extremely desirous of fostering the export trade to the greatest possible extent in order to obtain foreign exchange and to remove the glut of commodities at Hankow, which is tending to dislocate the price structure in respect of Hankow's export commodities.

"With reference to the question of discrimination in the allotment of freight cars, though some foreigners have voiced complaint, it is probable that a larger percentage of tonnage has been placed at their

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disposal than has been generally assumed. It has been estimated, for example, that in January foreign exporters received approximately 25 per cent of the total cars allotted and nearer 40 per cent in February. At present a committee of foreign exporters is negotiating with the government authorities for the constant reservation of 40 per cent of the total available rail space to recognized foreign and Chinese exporters and there is reason to believe that a satisfactory arrangement will eventuate. It is true that government or semi-government organs such as the Fu Hua Trading Company, the China Vegetable Oil Corporation, the China National Tea Corporation, and the National Resources Commission are the chief shippers of cargo, but in no case has it been possible for an individual or a government organ to ship unlimited quantities of cargo. Each exporter must await his turn while a shortage of cars exists. It is believed that the majority of exporters apprehend that a crisis exists and that it is to their interest to cooperate with the Chinese authorities - who have shown a tendency to compromise when they could probably assume a complete monopoly of communications and trade on the pretext of expediency - rather than to adopt a critical attitude. This office has received no formal complaint from American exporters in respect of discrimination, though all have suffered heavy losses as the result of hostilities; and I am informed by the British Chamber of Commerce that British merchants realize the difficulties of the situation and are endeavoring to make the best of it by friendly arrangement rather than by criticism or political interposition. Moreover, a number of American exporting firms, rather than assume the risk and trouble of shipping commodities from Hankow, find it more satisfactory to purchase wood oil, goat skins, bristles, et cetera, in Hong Kong. Relatively speaking, except for one or two individual exporters of wood oil, American interests have suffered lightly in comparison with British and German exporters."

We are still at a loss here to understand why it is that there is such a shortage of freight cars on the Canton-Hankow Railway as we have been led to believe by a number of contacts that practically all the rolling stock on the Nanking-Shanghai line, the Shanghai-Hangchow line, the Nanking-Kiangsi line, and some of the equipment of the Chekiang-Kiangsi railway was moved out of Eastern China to Central China, most of it going over the Chien Tang River bridge at Hangchow immediately after the same was completed and just prior to its being blown up by the Chinese authorities at the time of their

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The local American Community does not feel highly assured as to outgoing mail, however, and is in many cases taking steps to place same directly on foreign ships (mostly Canadian Pacific) so as to avoid any chance of being censored locally. Some large firms are still having their official mail sent to their Hong Kong offices to be brought to Shanghai by couriers or friends who happen to be coming, in order to be sure of avoiding censorship.

(A. Bland Calder)

Possible Russian Edition of American Newspaper:

Mrs. Ievleff, staff

writer for the Russian newspaper, The Shanghai Zaria, called to inform me that it is quite likely the newspaper will be sold to interests unknown at this time or will be forced by Japanese authorities to cease operating in the event its political policies are not immediately changed. Mrs. Ievleff said that while the paper's branch in Harbin has been under Japanese domination for a number of years, the branch in Tientsin will probably soon close as the circulation dropped to unprofitable levels immediately after it was compelled to submit galley proofs to Japanese censor authorities. Furthermore, she reported that it is rumored from reliable sources that the Shanghai Evening Post and Mercury (American owned) is contemplating the publication of a Russian edition with a political policy similar to its English and Chinese editions. This paper is not required to submit to censorship, hence a Russian edition would probably receive immediate approval of some 40,000 or more Russians in Shanghai as was the case with Chinese readers when the Evening Post first