

Division of Foreign and Domestic Commerce

53
November 10, 1937

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Submitted by: November 15, 1937.

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BUREAU OF FOREIGN AND DOMESTIC COMMERCE
(Title)

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Commercial Attache

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WEEKLY ECONOMIC REPORT

COPY FOR THE BUREAU OF FOREIGN AND DOMESTIC COMMERCE
China

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The Shanghai hostilities which, at their inception three months ago, were proclaimed by the Japanese military authorities as destined to last but a few weeks, have dragged out for three months due to the strong opposition of the Chinese. During these three months the toll of death in this area has numbered many tens of thousands, in fact, probably well above a hundred thousand. Those among the non-combatants who have been rendered homeless aggregate upwards of a million. Hundreds of thousands have become penniless refugees requiring charitable attention and care. Hundreds of thousands have been thrown out of work and have become charges upon the community. Property destruction, while no reliable estimates are as yet available, amounts to hundreds of millions of dollars. Add to these the losses in business and industry and the aggregate will undoubtedly be well above

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yuan or Chinese currency \$1,000 million.

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A few days ago, the Japanese succeeded in completing their occupation of the entire territory encircling the Shanghai foreign settlements and embracing that section of the International Settlement north of Soochow Creek. Thus the Mayor of Greater Shanghai Chinese Municipality, Mr. O. K. Yui, in a recent statement to news correspondents stated: "I may have lost Xiangwan and Chapei, and now I may have lost the Western District, but I still hold Nantao. And should Nantao eventually share the same fate as

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Report for the week ended November 13, 1937.

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the other areas, I would still have my people. And my people would still have their spirit of resistance, never to be broken."

It now remains to be seen what action the Japanese will take in regard to the administration of those areas over which they have, through their military operations, secured control. However, it means that the center of hostilities has for the present at least moved away from Shanghai. Already business houses in the lower part of town and establishments along the borders generally have started removing sandbags and boards from windows, doors, etc., which were put up as protection against shrapnel and spent anti-aircraft bullets. There is unfortunately the prospect that Shanghai may become isolated from the interior, although one of the motor car services advertises operating passenger cars twice weekly between Shanghai and Nanking. We are hopeful that with the movement of hostilities away from Shanghai, trans-Pacific ships will again call at Shanghai and thereby restore mail, passenger and freight services.

Shipping: Announcements have been made that the Canadian Pacific will soon resume its direct shipping services with Shanghai. French, Italian and Dutch liners have been making Shanghai for some weeks past. There are no indications as yet of the resumption of the calls of the Dollar Company ships. Thus, it has been nearly three months since the regular American liners have called at this port.

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The Burning of Tung Yen College: The Japanese have been expressing consternation of the incendiary burning of the Japanese college on the outskirts of Shanghai by the Chinese military forces, contending that this was an act of inexcusable vandalism. On the other hand, the Japanese have bombed and burned 22 Chinese colleges, all on the pretext of their being used by Chinese troops. It is patent that the Japanese have exhibited a bitterness against the intellectuals of modern China and undoubtedly exaggerated situations very grossly in proclaiming that in each case in which educational institutions were bombed they were housing soldiers or snipers. On the other hand, the Chinese might well contend that in the maintenance of Tung Yen College for the education of Japanese in things Chinese, they were training Japanese to serve as military scouts in plain clothes who went about the country in quest of military intelligence, and since the outbreak of hostilities have been serving with the Japanese armed forces.

Hence it may well be contended that the institution was of a distinctive military nature in the sense it has been serving toward aiding in the hostilities against China. The fact remains that had a similar Chinese institution functioned in Japan and were the Chinese engaged in hostilities in Japan against the Japanese, it would have suffered a similar fate and probably earlier in the game than in this instance, especially had the Chinese been guilty of maliciously bombing Japanese educational institutions.

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Report for the week ended November 18, 1937.

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If the bombings by the Japanese airmen of Chinese educational and certain other non-military institutions on the pretext of their housing soldiers had stopped there, one might have reason to suspect that their contentions might in some cases have been more or less justifiable, but when we hear from reliable eye witnesses of the bombing and machine-gunning by Japanese airmen of Chinese farmers and villagers -- men, women and children quite away from any places where there are any military establishments or soldiers -- then it is not difficult to believe that these bombings of schools were deliberate.

Japan persists in repeating to the outside world that it has no evil designs upon China and proclaims that it is only fighting the Nanking Government, while being on friendly terms with the populace. But when its airplane bombers dive over villages, farms and roads and deliberately machine-gun defenseless villagers and farmers as has happened in the environs of Shanghai, and as witnessed in some cases by foreigners, one wonders what the Japanese people would do to the civilian population if they were not on this professed friendly basis. These bombings and machine-gunning operations from planes by Japanese airmen have characterized Japanese military operations throughout much of the country, and apparently with the sole idea of trying to instill into the hearts of the people a frightfulness which will help to hasten in bringing the nation to its knees in acknowledgment of Japan's superior military force. In a word, it is the spirit of the international gangster as now being exemplified by Japan in its war

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on China. The "Manchester Guardian" struck the right note when it declared on November 8 that Japan's claim that she is fighting communism in China is sheer nonsense.

Hong Kong as Entrepot for South China Trade: Local contacts who have recently visited Hong Kong tell us that it is now possible to load cargo in Kowloon into railway freight cars which carry the goods through to Hankow over the Kowloon-Canton Railway and the Canton-Hankow Railway. War time expediency speedily settled the issue as to whether the Canton-Hankow Railway was to be connected by a link with the Canton-Kowloon line. Previous plans of the Chinese were to refrain from making this connection in order to direct traffic largely to, and thus develop the port of, Shanghai, under construction near Canton, as a rival to Hong Kong. While bridges here and there on the two railways mentioned are from time to time destroyed by Japanese aerial bombing, it appears that repairs are speedily effected and trains operate again with comparatively slight delays.

There is heavy congestion and little other than Government shipments (largely munitions) move northward out of Kowloon, but more space is available for commercial purposes on the southward bound traffic from Hankow. Hence some Central China export commodities are moving by this means to Hong Kong for transshipment to points abroad. Ordinarily this

Supplied by:

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traffic would come down the river to Shanghai, now almost completely isolated for any direct commercial traffic with the interior. A considerable augmentation of trade by this route may be expected so long as hostilities continue and the lines can be kept operating.

The Canton-Hankow line and Canton-Kowloon line do not haul all the traffic. Through Chinese sources we learn that the Chinese Military Affairs Commission is operating about 2,000 trucks over the highways between Canton and Hankow, transporting military supplies northward. Also certain of the steamers normally operating between Hong Kong and Canton are now able to get around the sunken boom of ships blocking the river and some traffic is moving by this means under the British flag.

Work on the Canton-Kowloon highway is also being speeded up and it is expected that through truck transportation from Hong Kong to Canton and points in the interior will soon be possible. The use of trucks for inland movement of goods to various parts of Kwangtung and Kwangsi Provinces from Canton is also reported on the increase. Truck transportation for various exports is also reported on the increase in South China. (CALDER)

Japan Curtailing Exports: Mr. Paul Dietz, representative in China of U. S. Rubber Co., tells us that it has been impossible for him to get shipments of automobile and truck tires from Yokohama to Hong Kong. Ordinarily Chinese buyers do not want tires from the Japanese-American

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factory in Yokohama, as they are especially desirous of developing a boycott now, but to meet an emergency situation he tried to get a shipment made to Hong Kong. The reason given by his Yokohama office for inability to ship was that Japan is now concentrating on war industries and economy and is not importing the raw materials or exporting the finished products in many lines in anything like the quantities formerly put out. It seems also quite likely that the Japanese are desirous of withholding shipments of anything to Hong Kong which could be used in China in a military way, though this was not the reason given. (CALDER)

Julian Arnold,
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OFFICE OF COMMERCIAL ATTACHE
3 CANTON ROAD
SHANGHAI, CHINA

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November 26, 1937

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APR 20 1938

December 8, 1937.

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Mr. Julean Arnold,
American Commercial Attache,
51 Canton Road,
Shanghai, China.

To: Foreign Service Division,

Dear Arnold: Julean Arnold, Commercial Attache.

Referring to your inquiry on Page 2 of the Administrative Section of your Weekly Report, dated October 12, with respect to the use made of the economic telegrams received from your office since the beginning of hostilities around Shanghai, this material has been given wide dissemination and has been apparently of considerable value to business men interested in our trade with China.

From receipt of your first radiogram after August 13, the Bureau prepared for immediate release the salient features embodied in your material and distributed it to all our District Offices — by radiogram in a few instances, by air mail in others, and by ordinary mail where there was no appreciable saving of time by the use of other postal services. Copies of these releases were distributed to all Bureau officials and also to the Press Section. It was emphasized that none of this material should be regarded as confidential but that it might be distributed or redistributed as desired.

From a number of the District Offices we have received radiograms expressing their appreciation of this service, and in some instances giving the names of clients who found it especially useful. We also, of course, used the material in COMMERCE REPORTS and specifically advised all Bureau contacts to consult that publication for information supplementary to that distributed in the releases.

Julean Arnold
Very truly yours,

Commercial Attache.

C. K. Moser,
Chief, Far Eastern Section,
Division of Regional Information.

Forwarded:

H. Lawrence Groves,
Chief, Foreign Commerce Service.

CKM:MLB

