DEPARTMENT OF COMMERCE
BUREAU OF FOREIGN AND DOMESTIC COMMERCE

China

OFFICE OF COMMERCIAL ATTACHÉ
AMERICAN LEGATION
PEKING, CHINA

September 12, 1923

SUBJECT: Business Conditions in China

Messrs. Sprout, Waldron & Company
Muncy, Pennsylvania

Gentlemen:-

We acknowledge receipt of your letter of August 9 in regard to both present and future business conditions in China. The briefest and most compact statement we have had called to our attention recently in this connection is the following article by a newspaper correspondent in Peking, which was published in the local press:

FOREIGN TRADE

"In the midst of all the anarchy and chaos prevailing in the land it has been profoundly interesting to realize that the foreign trade has continued to grow. The Customs' revenue for the half year showed an advance of Tls. 3,500,000 over the record figure for 1922. An amount something like Tls.2,000,000 must be placed to the credit of additional revenue derived from the application of the effective 5 per cent tariff for about three months. But after due allowance on this amount it is clear that there is a net increase of about two million dollars indicating a material increase in the volume of trade.

This satisfactory result has been achieved in spite of the dullness in piece goods, the principal item in the commercial returns of China, in spite of the virtual cessation of trade in many important areas in the interior, and in spite of the serious diminution in Jap-

anese imports consequent on the boycott. From it may be made an important deduction. It is that the trade of China in the zones of the treaty ports, in the riverine regions, and along the lines of the railways, is irrestibly expanding and compensation for every check in the interior outside the areas indicated.

This expansion must be primarily attributed to the higher standard of living and the consequent demand for foreign conveniences and luxuries, and also to the increasing appreciation of the utility of foreign methods, which has led to a great advance in the importation of machinery and manufactured metals. But it must be recognized that the economic impulses affecting certain regions have been allowed comparatively free play owing to the order and security prevailing in them, such conditions being largely due to foreign influence.

GUN-BOAT INFLUENCE

Foreign shipping moving freely up and down the coast, and supported in the background by foreign warships, together with the presence of many foreigners, exert a powerful stablizing effect. The same applies, in a lesser degree, to the great rivers, where foreign shipping, foreign gunboats, and foreign residents weigh heavily in favor of settled conditions.

Railways are foreign institutions, even though owned by China, and still commend respect as something foreign, despite the disagreeable episode at Lincheng. Buying and selling where they run is not lightly to be interrupted because foreigners are directly concerned in the traffic. Thus where foreign influence is actively present there is an ever increasing commercial development, whereas in the interior where foreign influence is attenuated there is disorder, insecurity and trade stagnation.

AFTER LINCHENG

The point for consideration is whehter foreign trade, prosperous in certain regions and dead in others, can be maintained at the present level in spite of the troubled conditions in the provinces. It seems reasonable to expect that the expansion in the regions favoured by stable conditions will keep pace with the reduction elsewhere, provided the value of foreign

influence where it prevails does not decline. But this is the trouble, andone of the principal reasons why the foreign communities in China are so anxious that their Governments take the opportunity of the Lincheng outrage to assert themselves and to do something to maintain foreign prestige.

Foreign prestige is declining, and the lack of respect for foreign persons, foreign property and foreign treaties is visible in every direction. The reasons are manifold, but two reasons contain most of the truth. One is that a desperate war has weakened western nations, and disinclined them to attend to their interests in a region where political considerations have not yet become vital. And the other is that the war has destroyed the Chinese belief in the invincibility of the westerner, and that the westerner has contributed to this belief by extraordinary and uncalled for concessions which to the oriental mind indicates weakness.

VERGE OF COLLAPSE

That foreign trade with China will retain substantial proportions seems certain, whatever conditions prevail in the interior. But if it is to increase on a scale commensurate with the resources of the country it is indisponsable to restore respect for foreigners, and for foreign treaties. China is on the verge of collapse, partly owing to the repercussions of the great war, and it is recognized by foreign observers that salvation from within is not possible in any reasonable period of time.

The question of the normal development of the foreign trade with China therefore seems to depend upon the foreign Powers, whose efforts are required in the first place to re-establish foreign prestige, and in the second to assist China to rehabilitate herself. Both objects require statesmanship of a high order as regards the first, in reconciling the divergent interests of the Powers concerned and inducing all to agree to common action; and as regards the second in appreciating the complex situation that has arisen in China, and in devising means of alleviation that will be both practicable and acceptable to the Chinese.

If western statesmen are so involved elsewhere that they cannot attend to the China question - - and until certain difficulties in Europe and the Near

East are settled it is impossible that they should be - it is inevitable that the situation here which we all find disquieting now will become worse in the near future, and be more difficult to deal with for every day that it is neglected. We must be prepared for more widespread repudiation of treaty rights and for increasing disregard for foreign life and property. "Pari passu" we may expect increasing chaos in the country, and a gradual approximation between militarism and brigandage that will stifle enterprise and stop trade in the interior. In such circumstances it is inevitable that the great commerce upon which all foreign interests are founded will be seriously effected."

All reports and material of the China organization of the Bureau of Foreign & Domestic Commerce are forwarded to Washington, and centralized in the Far Eastern Division of that Bureau. This Division would be very glad to furnish you with information on current business conditions in China, and if our China organization can be of any further service to you please do not hesitate to call upon us.

Very truly yours,

John H. Nelson
Assistant Trade Commissioner
In Absence of Commercial Attache

JHN:fn