

COMMERCIAL AND ECONOMIC REVIEW FOR THE MONTH

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By the Commercial Attache, Julean Arnold,  
Peking, China.

Subject of  
Article #23

1. General Business Conditions.

Although the marked decline in silver exchange favored the resumption of exports from China, the lack of demand in foreign markets continued to limit shipments of Chinese products.

Importers who placed orders for foreign goods months ago when Gold Dollars and Silver Dollars were at a parity are suffering severely and are attempting to secure cancellations.

Political conditions remain unsettled, the President's Mandate announcing the unification of the North and the South having failed to produce any effect other than caustic criticism. The situation in Urga and other parts of Mongolia were disturbed throughout the month interfering with American interests.

2. Financial and Credit Situation.

At the end of the month the banks' buying rate for U.S.\$1.00 was Mexican \$1.80, and the TT selling rate was 4s/4<sup>1</sup>/<sub>2</sub>d. The stocks of silver in Shanghai banks, now equivalent to U.S.\$42,000,000., are almost equal to pre-war stocks and ample to meet all present trade needs. Silver exchange shows a continuing downward tendency. Interest rates are higher, money is tight and bank loans are decreasing, although ample funds are on hand. Bankers are cautious in advancing credits.

"Commerce and Finance" reports that two large Hongkong and Saigon rice firms have failed for large amounts. Cotton piece goods dealers in Shanghai and other cities are seriously affected because the heavy drop in silver follows a period of unprecedented rise. No improvement in business is expected until after the China New Year settlements in February.

The prosperity of China cotton mills during the current year is shown by the fact that some of them earned dividends of 75%.

The financial position of the Chinese government grows more and more unfavorable. Efforts are being made to induce the native bankers to advance sufficient funds for administrative and other purposes, but substantial assistance from this source is not anticipated. The minister of Finance is assuming an unfavorable attitude toward the proposals made by the Consortium, emphasizing particularly the undesirability of agreeing to foreign control of expenditures and to the utilization of the land tax as security for foreign loans. The Chinese people regard the Consortium somewhat passively but are not unfriendly toward it.



Frederick W. Stevens, the representative of the American group, is expected to arrive in Peking at the end of December.

The treaty powers generally are agreeable to China's proposal of a surtax on import and export duties of 10% for one year beginning January 1, 1921, raising the present tariff, which works out at an average of 5%, to 5½%, the proceeds to be used as security on a loan for famine relief.

### 3. Crop Conditions.

The serious famine prevailing in North China owing to drought and crop failures continues with great resultant suffering in Shantung, Chihli and Honan.

Reports received from other sections of China, including Manchuria, estimate the yield of crops at between 60% and 80% of normal. The total peanut crop during the past season amounted to 300,000 long tons. For detailed information regarding crops reference should be made to my weekly reports during November.

### 4. Export Movements.

The only features in an export market which is generally more inactive than for many years are the heavy shipments of eggs to Japan and the large cargoes of wheat and flour being forwarded from Manchuria and China to Egypt and Europe. The Manchuria bean trade has fallen off during the present year and such staples as hides, skins, wool, cotton, walnuts, peanuts and vegetable oils are very quiet. Many silk filatures are closed because of the lack of demand from America and Europe. Tea stocks are costing the native dealers heavy losses in storage and insurance. The prices of China raw products are generally lower in silver prices than last month and on account of exchange the gold prices are accordingly reduced greatly.

### 5. Import Trade Conditions.

Although the decline of silver has affected the import trade very unfavorably, some business is being done. Chinese dealers are not overstocked and with improvements in political conditions in the interior the demand for piece goods and other import lines is expected to become brisk. The total imports of copper from Japan during the past two months were 400,000 bars. The marked fluctuations in exchange have had a direct bearing upon import prices.

### 6. Shipping and Freights.

The available tonnage for outward cargo is well in excess of the demand and the dispatch of vessels is normal. The stocks of bunker coal are sufficient for the present demand. The announcement by the Blue Funnel Line of its new service between Vancouver and the Far East is significant. According to recent reports the Green Star Line,



operated by Struthers and Dixon, will make Dairen a port of call on the homeward voyage for the vessels of its transpacific line.

Notable improvements in port facilities at Woosung, with the opening of that port to foreign trade, and the construction of warehouses and docks, will make it one of the most important ports of China

### 7. Industrial Developments.

American equipment is being installed in a cotton mill at Shanghai with 100,000 spindles and 600 looms, and another at Chengchow, Honan Province, with 50,000 spindles and 1200 looms. Recent advices from Chengchow state that the very small cotton crop in northern and western Honan this year has made the price of raw cotton higher than in Shanghai and the new mill is finding it difficult to sell yarn at a fair profit as it has to compete with Japanese yarn in Shanghai.

Consul Gauss at Tsinan reports that two large beet sugar factories are being erected in Shantung and that a part of their equipment is of American manufacture.

Announcement was made during the month by the Peking-Hankow Railway of plans for its new Yellow River Bridge, for which specifications have just been forwarded to the Bureau, and for the construction of all other bridges between Peking and Hankow to strengthen them from E.35 to E.45 and E.50 standard. The improvements mentioned are expected to cost Mex \$30,000,000.

The Government has sanctioned an agreement between the Peking Syndicate, a British corporation, and the Ministry of Communications, for the construction of the Ching Meng Railway, 41 miles long, in Honan Province.

### 8. General Trade Notes.

Several hundred miles of roads are being built in connection with famine relief. The American Red Cross is spending U.S.\$500,000. in the construction of highways in Shantung.

A joint British-Chinese company has been organized to exploit the petroleum resources at Sinkiang.

The present monthly output of the Kailan Mining Administration, which operates the largest coal mines in China, is 300,000 tons. It costs the company less than U.S.\$1.00 per ton to mine.

Twelve British Chambers of Commerce in a five days conference at Shanghai strongly endorsed the Consortium, recommended the abolition of



China's internal taxes on trade with compensating increases in import and export tariffs, considered the standardization of shipment clauses in Bills of Lading, and discussed wireless and telegraph improvements, British and Chinese cooperation, British engineering training for Chinese students, and other matters.