

ECONOMIC AND TRADE NOTES

Shanghai,

(City)

China,

(Country)

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(Date)

Submitted by: John J. Ehrhardt,

(Name)

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(Title)

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INDUSTRIAL EXPANSION IN SHANGHAI, MAKING BIG HEADWAY.

The industrial development of Shanghai as depicted in statistics of electric power consumed is remarkable. Electric power sold by the Shanghai Power Co., the only utility company operating in the city, totalled 530,000,000 units for power, heating and traction during 1930, as compared with 90,000,000 units sold during 1919 and 10,000,000 units during 1914, indicating a growth of almost sixfold during the last eleven years and fifty-three fold during the last sixteen years. These figures, however, exaggerate the growth to some extent as some of the earlier industrial plants have since found it more economical to shut down their private plants and purchase power from the Shanghai Power Company. Power rates in Shanghai are among the cheapest in the world, due to a great extent to the diversified uses of power resulting in a load factor as high as 64.6% (load factor equals ratio of units sold to units which could have been generated with plant running continuously at full capacity).

This growth represents a transition from man and animal driven machines to more modern power driven equipment and a large increase of new industries. Among the earlier industries to expand, spinning mills stand out as most important. Since the year 1914 almost 2,000,000 power spindles have been installed representing an investment of more than \$60,000,000 U.S. currency. Machine shops and foundries also represent a

large investment, the earlier development being mainly in connection with shipbuilding and chandlery, while today the industry has expanded to the manufacture of almost all mechanical lines, including tools and machines, railway cars, steel office appliances, steel sash, aeroplanes, the assembly of automobiles and the manufacture of auto bodies. Aluminum utensils, phonographs and other musical instruments, household appliances, nails and building hardware and plumbing fixtures are also among the leading items produced in modern plants. The Department of Industry of the National Government has very ambitious plans for development during the next ten years and has formulated plans for the birth of many new industries including iron smelters and steel mills, locomotive and car shops, basic chemical industries, electric cosmetics, soaps, drugs and printing and lithographic inks.

Factories producing electrical fittings and supplies, dry and storage batteries, electric household appliances, electric lamps, neon lights and signs, radio parts and sets, and electrical machinery, are also important among recent developments.

Rubber shoes and other rubber goods, leather belting and sole leather, are now manufactured in large modern factories.

John J. McFarland,
Trade Commissioner.

The development of these industries is making large inroads into the normal expansion of imports of manufactured commodities, but at the same time is developing a larger market for industrial equipment.

This development has been due to some extent to the establishment of branch factories of foreign companies, but due to a much greater extent to the advance made by the Chinese themselves. Chinese owned factories supervised by foreign trained engineers and executives represent by far the major part of this development.

Industrial development on modern lines in China has so far been mainly confined to such foreign concessions as Shanghai due to political conditions being still unfavorable to expansion in interior cities. With the establishment of a more stable central government and the further encouragement of industrial development on a large scale by the government, as is now manifesting itself, further large strides may be expected in industrial development in other parts of China. The Department of Industry of the National Government has very ambitious plans for development during the next ten years and has formulated plans for the birth of many new industries including iron smelters and steel mills, locomotive and car shops, basic chemical industries, electric utilities and plants for the manufacture of electrical machinery and many other allied industries. Some of this will be state owned, but undoubtedly a large part of this development will be with private capital.

John J. Ehrhardt,
Trade Commissioner.

Approved for Transmission:

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Enclosure: Chart - Units of Electricity sold by
Shanghai Power Company.