ECIAL REPORT NO.

Mukden (City) (Country) (Date)

China September 30,1932

Subject:

QUARTERLY REROSFRE AND GASOLINE REPORT.

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the relative to the second and the second and the second and and the second sec Trade in petroleum products in Manchuria during the past quarter has fallen even below the low level of the few preceding Company and been remails along their total collapse as the time quarters. Even though the third quarter is normally a dull season, of the Jacongs proposetion when thousands of the wealthier Chinese it is estimated by officials of the larger companies that business at present is only in the neighborhood of 35% of normal.

The Classtrons floods in Borth Manchuria during August will Upset political conditions are still mainly responsible for the ates have a serious effect as keresone business during the coming continued low level. Bandit and partisan resistance to the new adgigter. Nearly a third of the total population of Manchuria have ministration prevents the conduct of normal business in interior been affected and will find their incomes directly or indirectly districts. The harvesting of crops has even been interfered with in out by the floods and heavy rains, and large musber of the farmsome sections and the general spending power among the farming popuing population have lest everything. Some of the oil companies also lation has probably decreased.

lost stocks in the flooded districts. The larger companies are still reducing the number of dealers Casqline and labricating oil business has bold up fairly well, and agents in the farming districts and are cutting down on the largely dup to the heavy communition by the Japanese will terr sho quantity of stocks carried outside the protected areas. In some are utilizing an ingressing master of cars, trucks and airplanes in cases losses of stocks have been suffered through banditry. Losses anti-bandit compaines. Somewar, there are still no ben-lines of outstanding credits with dealers have also been taken in some operation in the interior. cases, although these are now iscreasing.

Thore has been living change in the despotition attomice. September is normally the beginning of the winter season and porter profests and non being distributed from believe and a few men an increase is usually noted in purchases of kerosens for the interior. whereast pear pear propriet art courtrained and courtrained and grant and grant and grant and During the past month, however, there has been no improvement and none ston and this line is swill do me only chose 80% of the total besiness. appears in sight for several months at least. An active anti-bandit

campaign is scheduled for October and ruthless methods may succeed In a considerable was present president on the named but it is not in a considerable slackening of open resistance but it will be some wall resulted as to dealing time defore this can be reflected in purchases. The farmers have Automore of a prespective Soviet-Japanese oil emples offer a suffered losses through banditry and failure to market crops which werkens through to the prestige of American and European empresies have reduced their incomes. Normal credit structures, which might the the promise ten market. Pransportation costs from Satur will have enabled them to make purchases on the strength of next year's the telegraphy by Algher but it is bolleved thoroughly possible that crop, have not been rebuilt since their total collapse at the time The told promition, if it develops, will be able to effer serious of the Japanese occupation when thousands of the wealthier Chinese expostition in Espointia. left the country.

The disastrous floods in North Manchuria during August will also have a serious effect on kerosene business during the coming winter. Nearly a third of the total population of Manchuria have been affected and will find their incomes directly or indirectly cut by the floods and heavy rains, and large number of the farming population have lost everything. Some of the oil companies also lost stocks in the flooded districts.

Casoline and lubricating oil business has held up fairly well, largely due to the heavy consumption by the Japanese military who are utilizing an increasing number of cars, trucks and airplanes in anti-bandit campaigns. However, there are still no bus-lines operating in the interior.

There has been little change in the competition situation.

Soviet products are now being distributed from Dairen and a few new agents have been appointed but conditions are unfavorable for expansion and this line is still doing only about 20% of the total business.

There is also some Japanese gasoline on the market but it is not well received due to quality.

Rumors of a prospective Soviet-Japanese oil combine offer a serious threat to the prestige of American and European companies on the Manchurian market. Transportation costs from Batum will naturally be higher but it is believed thoroughly possible that the new combine, if it develops, will be able to offer serious competition in Manchuria.

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