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Submitted by:

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OF  
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FOREIGN BEER GIVEN BLOW AT CHEFOO  
AND OTHER NORTH CHINA PORTS.

(Voluntary)

SEP 26 1938

FOREIGN MAIL

While imports of American beer into China are negligible, the subject matter contained in the following news account is indicative of the general attitude and policy now being adopted by the Japanese sponsored "Reformed Government" in regard to commodities other than those of Japanese manufacture or those of Chinese manufacture made in factories taken over by the Japanese and operated under a "satisfactory working agreement".

The Ewo and Union Breweries of Shanghai, both British controlled firms, have been the principal suppliers of beer to the North China markets. Should the efforts of the "Reformed Government" to institute this tax on all non-Japanese beer be successful, it would mean the virtual loss of yet another market to foreign interests in spite of Japan's repeated assurances that the "Open Door" would be maintained.

In discussing the situation with a director of the Union Brewery Company, this office was informed that the Union Brewery under no circumstances would pay this tax to the "Reformed Government's" revenue collecting bureau in Shanghai as it would mean recognition of the regime, but the company might consider a proposition whereby a moderate levy might be paid by the Union Brewery's agents (Chinese) at the ports of delivery with subsequent reimbursement made to these agents by the home office in

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Shanghai.

The account as presented is another illustration of the attempts now being made to afford preferential treatment to Japanese commodities in areas now under Japanese domination.

FOREIGN BEER GIVEN BLOW AT CHEFOO

(China Press, August 25, 1938)

"Tax Applies To All Foreign Imported Beer Except Japanese Brew; The business of closing the Open Door in China by the Japanese sponsored "Provisional Government of the Republic of China" has been extended to foreign manufactured beer, according to a communication received from Chefoo.

"This communication reported that a tax of \$64 (All amounts are in Chinese currency) on a single case of beer, containing either 48 quarts or 72 pints, has been imposed by the puppet regime at Chefoo.

"This tax, it is stated, applies to all foreign imported beer except Japanese brew. Hardest hit are Shanghai breweries whose products are not permitted to enter the port of Chefoo and other ports of North China unless the tax is paid here in Shanghai.

"The size of the tax is emphasized by the fact that the wholesale price of a case of beer is about \$18. This makes the new levy imposed by the "Reformed Government" more than 300 per cent of the total cost of a case of beer to dealers in Chefoo or other North China ports.

"Thus, a bottle of beer that ordinarily retails for 60 cents over the bar or in a hotel at Chefoo, Tientsin and other cities is now selling for more than \$2, which is admittedly a prohibitive price. The tax has literally brought an end to the export of beer from the foreign breweries of Shanghai to North China.

"The loss of this market to local breweries is described by persons connected with the brewing business as a serious blow.

"The North China export market in years past has consumed large quantities of Shanghai made beer. Chefoo, during the summer time, has meant especially good business for some of the more popular local brands because of the presence of American sailors in that port. Beer business also has been good in Weihaiwei, where British sailors are stationed during the summer months.

"With the average foreign sailor, American, British or French, Japanese manufactured beer is not exceedingly popular. The Shanghai product has proven the most popular of all beers on the China market with the sea-going foreigner who touches these parts.

"According to the communication, if the tax on the beer is not paid at the point of shipment, the dealer who receives the shipment is liable to a fine equalling the amount of the tax, -- or run the risk of having the beer confiscated.

"One American dealer for a local brewery at Chefoo is reported to have 100 cases of beer in the port's Customs at the present time.

"The beer at wholesale prices is worth less than \$1,800. but unless he is willing to pay \$6,400 in Customs fines, the liquid will be confiscated. And if he does pay the fine, he has very little chance of selling it at the price that would be required for him to clear on the deal.

"The fact that the "Provisional Government" is now attempting to collect the tax at Chefoo on the 100 cases of Shanghai beer in Customs at that port, has not ended the matter.

"The "Provisional Government" of North China insists that the tax be paid in Shanghai at tax collection offices maintained on Kiukiang Road.

"Local brewers, it is understood, have refused to recognize this office for some time past but, as a result of the attempts of the puppet officials in the north to collect from dealers, brewing companies in Shanghai recently have been forced to recognize the tax ruling by refusing to make shipments.

"It is understood that complaints have been lodged with both the American and British consular officials in Chefoo and that the latter, in turn, have taken the matter up with their respective embassies for final solution.

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