

## THE SITUATION IN CHINA

A. Bland Calder, Commerce Department, Trade Commissioner, Shanghai

Our present trade with China represents only about 3 per cent of our total foreign trade. While China is the largest country in population and almost the largest in area with which we carry on trade, it ranks in importance to us with Mexico and Belgium as a market for American products.

In 1926 we sold to China upwards of \$130,000,000 worth of our products, and bought about \$150,000,000 worth of China's goods. These are by no means insignificant figures despite their relatively small position in our total domestic and foreign trade situation. The figures are sufficiently large to command the concentrated attention of numerous firms of several nationalities in China competing for that trade.

1926 was the peak year in China's foreign trade development, the portion of business with the United States being five times greater than 15 years previous at the outbreak of the revolution.

1927 is the first year in which that trade expansion has received a set back, the total volume of trade of China with all countries dropping roughly about 15 per cent below that of the peak year.

China's unusually widespread civil war and the confusion resulting from the prosecution of issues relating to the position of foreigners in the country made trade last year precarious and uncertain as well as less profitable, and the normal increase which might reasonably have been expected failed to develop. China's position in foreign trade we have estimated roughly fell in 1927 twenty five per cent behind what might have reasonably been expected had the normal rate of increase for the previous few years continued. In that year, however, China's

internal situation changed from what might be regarded as normal disorder to a condition bordering on utter chaos. Warring between various Chinese factions over wide areas upset domestic conditions badly and affected trade adversely.

While no predictions can be made as to what will be the outcome of the present conflict now going on in China and while no definite forecasts can be made as to the likely effect upon trade, when I left Shanghai a little more than three months ago there appeared to be a general feeling that some sort of a solution to the declining trade situation must come about soon. Events in the past three or four months have proved such optimism justified as trade at Shanghai and in the Yangtze Valley generally has shown a partial recovery from the depression prevailing last year. This is due in part to the fact that the chief trouble zone has moved northward away from the Yangtze, and also to an improvement in the relations between Chinese and foreigners generally as compared with the situation obtaining a year ago.

The settlement of the Nanking incident cleared the sky in large part toward better understanding.

The American business men in Shanghai have been resourceful in trying to bring about better understanding with the Chinese. The American business group in Shanghai during the difficulties of last year undertook to develop a more intensive relationship with the Chinese business men, bankers, capitalists and industrial plant owners. The propaganda which had been disseminated against foreigners generally in the turmoil of last year had been absorbed to some extent generally over the country and was being reflected in strained relations everywhere. The American business men held numerous get togethers with these Chinese groups in order to demonstrate their sincere friendliness toward the Chinese and to discuss

the adverse conditions affecting Chinese and foreign business alike. Many of these functions were held at the American Club in Shanghai and every effort was made toward cordiality. The Chinese business community reciprocated these invitations and the discussions not only did much to clear up many of the misconceptions which existed but the exchange of views enabled the Chinese business people to make constructive representations to their government authorities toward improvement in conditions affecting business generally.

While there is improvement visible and this years trade returns show a recovery throughout the Yangtze region and south China as well, the situation cannot be regarded as stable. The whole future trade aspect continues uncertain and foreigners look rather for trade activity in localized areas for more or less temporary periods rather than for improved conditions in the whole country. No general expansion in trade can be expected in China until more promising and settled conditions are visible generally throughout the country.

One of the marked peculiarities of trade in China in fact is that where reasonably quiet conditions prevail even for comparatively short periods, trade shows a remarkable tendency to rebound, so great is the resiliency of the population long inured to difficulties of varying character.

Our sales to China consist largely of staple products such as wheat, flour, cotton, tobacco, cigarettes, kerosene oil, dyes, lumber, commodities necessary for or in constant use by the populace. These commodities in the run of a year's business are less affected by economic depression in China than are manufactured articles, luxury goods, machinery, or equipment lines. For this reason our trade has held up surprisingly well whereas countries supplying chiefly manufactured goods to China have experienced a much heavier decline in sales than have we.

Certainly China holds potentialities for large business expansion at some indeterminate time in the future. It therefore behooves us to watch developments there and to study the changing situation in its possible effects on our trade prospects. We hope that expansion will become possible in the not distant future and it is that hope which holds the attention of Americans already established there.

The Department of Commerce now maintains two offices in China, one at Shanghai and one at Peking, and will have another at Tientsin in North China shortly. From Shanghai we issue a monthly report on the China situation in which we aim to interpret current developments in their effect on trade. This is made available to such American manufacturers and exporters as are interested. These offices are also equipped to give specific advice on matters of possible trade promotion and of current trade. With the constantly changing situation there our services are constantly being called upon for information and guidance in specific problems.

China is at all times an exceedingly competitive market. Only firms who carefully study its peculiarities and who have experience in the complexities of marketing conditions in China can hope to succeed. Such firms figure their business in cycles of several years and are prepared to ride out periods of depression and adversity.

A great many American lines of goods, a fairly representative number of most standard lines in fact, are already represented in China by agents, and other foreign manufacturers as well cultivate that market intensively. Opportunities for the introduction of new lines under prevailing conditions are therefore far from numerous and it is in fact usually very difficult to find suitable agents for new lines of merchandise. Most firms already in the field have been obliged to cut down their organizations to the bare minimum necessary for the conduct of business under way and in general I should say that efforts to establish new

business enterprises or expand activities would be inadvisable for the time being at least.

Of course there is at present a market and should be a greater market in the future in China for iron and steel products, railway developments planned for Manchuria in particular offering a good outlet for rails. 50,000 tons of American rails were sold to Manchuria last year despite the troubles going on in other parts of the country. American leather, notwithstanding the numerous handicaps to trade is finding an increasing market in China. Large modern Chinese department stores operating at the large ports, as well as a number of foreign owned department stores absorb a considerable quantity of the whole range of department store merchandise except perhaps adults ready made suits and dresses. American hosiery of medium priced grades finds a good market through these and other channels. Despite disturbed conditions in interior sections the large port cities of Shanghai, Tientsin, and even smaller port cities to the South enjoy a considerable amount of building activity offering an outlet for builders hardware, electrical materials, fittings, and devices, plumbing and heating equipment. New modern apartment houses and hotels are constantly being built in Shanghai and under reasonably quiet conditions may be expected to increase steadily in number. It has been predicted that Shanghai will some day be one of the world's greatest cities. It occupies about the same strategic position in China that New York bears to the United States, in addition to which Shanghai is located at the mouth of the most populous river valley in the world.

China offers one of the very smallest outlets for automobiles and accessories at the present time, having less than 25,000 motor vehicles in an area larger than the United States, but American automotive manufacturers are watching events with keen interest in anticipation of important developments in that line just as soon as peaceful and more constructive conditions are established, and roads can be built and kept open. We have sold in the past a good deal of cotton mill machinery and equipment and further development in that industry

may be expected when peaceful conditions come about generally. The same may be said of flour mill machinery and many other kinds of industrial equipment.

The American soft felt hat is being rapidly adopted as men's head gear by the Chinese in city places and even those who retain the Chinese garb otherwise, are exchanging the typical Chinese black skull cap for the smart type of men's hat worn in the United States. Cameras, photographic materials, though not totaling large figures are finding a good market in China.

As rapidly as China can advance constructively in education, in industry, and in the development of modern transportation, her people will naturally be in better position to absorb increasingly both the staples and luxuries we have to sell.