

JULEAN ARNOLD

OFFICE FILE

U.S. COMMERCIAL
ATTACHE, CHINA

Despatches, 1915-19

492-1

On the whole our consuls are unanimous in stating that the boycott has never at any time assumed an anti-Peking, China. American Legation, goods other than Japanese, especially August 27, 1915. goods, come into special favor among the Chinese.

There is also noted a substantial development in native industries, as a result of the boycott movement, in some places great price for market goods "made in China".
Subject: Anti-Japanese Boycott.

During my recent visit to Shanghai, in consultation with one of the leading British firms, I was informed that, Chief, Bureau of Foreign and Domestic Commerce, Department of Commerce, Washington. movement against goods imported upon China, has resulted in a loss of about \$2,500,000 Mexican currency (\$2,500,000).

Dear Sir: It is very difficult indeed to make any estimate of the actual loss which the movement has suffered, but there has not been

Through the courtesy of the Legation, correspondence on the above subject from our various consulates to the Legation has been placed at the inspection of this office. It would seem from this correspondence that the boycott movement was more active and more effective throughout the region south of the Yangtze River than in the north of China. The Chinese in Hunan Province, according to Consul Johnson, were extremely active in their anti-Japanese propaganda, and Japanese trade in that section suffered badly for that reason, and, undoubtedly, will continue to be affected for some time.

Consul General Cheahire at Canton reports that the anti-Japanese feeling there is very bitter and that, as in many other parts of South China, while there are no open demonstrations yet quietly and persistently the boycott proceeds, Japanese trade being severely affected thereby.

In Shanghai, owing to the cosmopolitan nature of the population, and the more extensive contact with foreign interests, it appears that the movement is subsiding more rapidly than in other places in Central and South China.

In Manchuria, in the north of China, indications point to the failure of the movement to continue much longer.

Aggregate
On

On the whole our consuls are unanimous in stating that the boycott had never at any time assumed an anti-foreign aspect. On the other hand, goods other than Japanese, especially American goods, came into special favor among the Chinese.

There is also noted a substantial development in native industries, as a result of the boycott movement, in some places great pride being exhibited in bringing upon the market goods "made in China".

During my recent visit to Shanghai, in consultation with one of the leading British piece goods merchants, I was informed that, in his opinion, Japanese trade in China by reason of the boycott movement, following upon the Japanese demands upon China, has resulted in a loss of about \$20,000,000 Mexican currency (\$8,000,000 gold). It is very difficult indeed to make any estimate of the actual loss which the Japanese have suffered, but there has not been a district in China that has not been affected, and the aggregate of losses throughout the country incident to this boycott movement must certainly be a considerable one.

Americans have not had the organization in the field necessary to taking the fullest advantage of the opportunities offered at this time to supply equivalents in American manufactured products, wherever practicable. Unless the Chinese have reason to feel aggrieved over future actions on the part of the Japanese toward China, I am of the opinion that the present boycott movement will gradually subside and that Japanese trade will regain its lost position, for not only the Japanese merchants but also the Japanese officials are doing everything possible to court favor with the Chinese people. This was well demonstrated in their attitude toward the flood sufferers during the recent catastrophe in Canton, for, as the Consul General pointed out, Japanese officials and merchants went about in boats making an effort to render assistance and to rescue unfortunate victims, with the object in view of courting favor with the people.

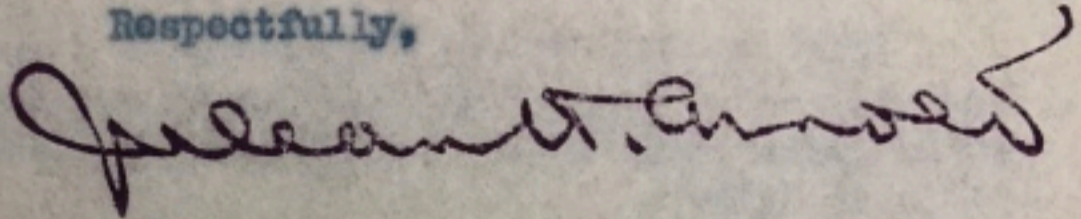
Undoubtedly, certain sections of the country will continue to exhibit an antagonistic attitude toward things Japanese for some time to come and trade in these sections will be adversely affected so far as Japanese trading is concerned, but I do not anticipate that the

aggregate

(3)

aggregate of losses from these sections will continue to be very great.

Respectfully,

A handwritten signature in dark ink, appearing to read "William H. Arnold". The signature is written in a cursive style with a large initial "W" and a long, sweeping tail.

L.

American Commercial Attaché.

DEPARTMENT OF COMMERCE
BUREAU OF FOREIGN AND DOMESTIC COMMERCE

OFFICE OF COMMERCIAL ATTACHÉ

Peking, China

October 7, 1920

File 411

Subject: Anti-Japanese Boycott

To the American Consular Officers in China,

Gentlemen:

As you know, the anti-Japanese boycott has had considerable encouraging effect on American trade in China. I am taking the liberty to enclose an addressed, stamped postcard upon which I shall appreciate your indicating by "yes" and "no" the answers to the following:

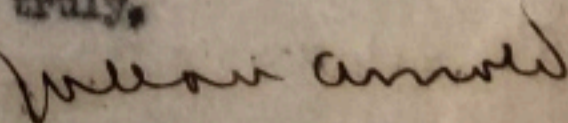
- (1) Is the boycott in your district materially relaxed?
- (2) Is it more severe than previously?
- (3) Is it continuing with little change one way or the other?
- (4) Is it expected to continue for a considerable time?
- (5) Are the Chinese losing interest in it?
- (6) Is there a strong propaganda encouraging its continuance?
- (7) Is there a strong propaganda being carried on against it?
- (8) Do you think it will continue a serious factor in trade in China for some time to come?

Please use the numbers only in answering the questions, for instance;

- (1) No.

By writing these answers on the ~~original~~ letter you have a record for your files.

Yours truly,



(JULIAN ARNOLD)
Commercial Attaché.

JA/GFL

Boycott

1 2 3 4 5 6 7 8

MANCHURIA

Antung

Yes No No No Yes No No No

Dairen Non-existent in Kwantung leased Territory

Harbin^d No boycott

Mukden No boycott

NORTH CHINA

Chefoo

No Yes No Yes No Yes No Yes

Tientsin^h

Practically non-existent at present

Tsinanfu

Yes ^{yes, in} ~~—~~ ^{modified} ~~—~~ ^{for} Some-what No^a Not at present Yes[‡]

Tsingtao

CENTRAL CHINA / Changsha

Chungking

Yes No — Yes ^{yes, somewhat} Yes No Yes

Hankow

No No Yes Yes No No No Yes

Nanking^e

Yes No No Yes Yes No No ^{apparently}

Shanghai

No No Yes Yes No No No Yes

SOUTH CHINA

Amoy

No No No Yes Yes No No Yes

Canton

Yes No No Yes[‡] Yes ^{mod-ante} No[‡] No[‡]

Foochow

No No Yes Yes No Yes Yes Yes

Hongkong

Swatow

No No Yes Yes No Yes No Yes

^a Suppressed but reversing

^h In import trade only

^e For remarks see letter 10/12/20

^d See letter 10/20/20

[‡] Ineffectively

[‡] Apparently

[‡] Not in South China

^h See letter 10/29/20

June the thirteenth,
1916

Subject: Political Conditions.

Chief, Bureau of Foreign and Domestic Commerce,
Department of Commerce,
Washington.

Sir:

Arrangements had been perfected for the retirement of President Yuan Shih Kai, when, as though Providence had intervened, he was stricken ill, and after two days sickness died, presumably of uremic poisoning. This was on June 6th. His death was considered as Providential for two reasons: firstly, for himself and his family, as well as for his immediate supporters, by dying rather than resigning, "face was saved" as the Chinese put it; secondly, even had he resigned, the revolutionists would not feel secure against guarantees of intrigues, plots etc to affect his restoration to power, so long as he remained in China or could easily come back to the country. Thus his death cleared the atmosphere. It came quite suddenly, hence the revolutionary party was not prepared for it. Credit is due to Tuan Chi Kui, Premier, under Yuan Shih Kai, and in command of the troops in and about Peking, for the preservation of order immediately following the announcement of Yuan's death, for it was prophesied by many, and believed by the masses, that Yuan's death would signal the turning loose of his troops to loot and burn the Capital City. Order was maintained in a most commendable manner and Vice President Li Yuan Hung (pronounced as though spelled "Lee Yuan Hoong") succeeded to the Presidency without protest. Vice President Li, had since 1913 been practically a prisoner in the President's palace. President Yuan, fearing that the revolutionary elements might get together under his banner and dispute his position, surreptitiously got Vice President Li to Peking and then surrounded him by his own troops and detectives kept him here a prisoner. He was constantly, day and night, under watch. No communications were allowed to get to or from him without the prior inspection of President Yuan's men. In my travels over China, I have never found a person (Chinese) who speaks unqualifiedly well of Yuan Shih Kai, in fact, I have encountered few indeed among the Chinese who championed him. On the other hand, I found but few who did not speak well of Li Yuan Hung. He is generally looked upon as a good, honest man and a man with some ability, although not regarded as a man of great cleverness or brilliancy. In a word, the people throughout China had learned to distrust Yuan Shih Kai thoroughly, while on the other hand they exhibit complete confidence in Li Yuan Hung. I was in Shanghai at the time of Yuan Shih Kai's death. Official flags alone flew at half mast upon the announcement of his death. The day following this announcement, Chinese flags were flying all over Shanghai at full mast as a spontaneous rejoicing in the succession of Vice President Li Yuan Hung

Hung to the Presidency. Prices of native products rose in sympathy with the confidence and optimism on the part of the Chinese people in the new regime. Goods which were stored in large quantities in the warehouses and which were not being moved because of the lack of confidence in the Government and the fear of disturbed conditions, began to move immediately it was known Li Yuan Hung was proclaimed President. Leading revolutionists and revolutionary sympathizers who had gone into hiding because of fear of the Government's agents and detectives, who had during the past few years been ever active in running down suspicious characters, that is, those whom the Central Government, feared either through jealousy or mistrust, came out of hiding. Thus generally speaking all of China rejoiced in the succession of Li Yuan Hung to the Presidency, while but few tears were shed over the death of Yuan Shi Kai.

Immediately after the assumption of the Presidency by Li Yuan Hung, steps were taken to establish a Government which would have the recognition of the Southern Provinces which had seceded and which had demanded the resignation of Yuan Shi Kai. These Provinces did not all immediately cancel their independence with Li Yuan Hung's succession to power. They, through the so-called Southern leaders, who might better be termed the revolutionary leaders, for it is not a question of difference between North and South, as it is a question of Government by a Constitutional Republic or a Military Dictator, demanded, as a condition to the cancellation of their independence, that the original Nanking Provisional Constitution be given recognition, in place of the so-called Yuan Shi Kai or Goodnow Constitution, which superseded it and that Parliament be convened in accordance with the Provisional Constitution, so that the State Council, which superseded the National Assembly, might be relegated to oblivion and give way to the legally constituted body, the National Assembly or Parliament. The foreign legal advisers to the Chinese Government, Dr. Willoughby (American), Dr. Morrison (British) and Dr. Ariga (Japanese) were called into conference with the President and advised that the President issue a proclamation, to be countersigned by the Premier, giving recognition to the Provisional Constitution and calling for the convening of a Parliament. This the President decided to do, but met with opposition from Premier Tuan Chi Jui, previously Minister of War and in command of the troops, formerly under Yuan Shi Kai, as Tuan contended that the President had no authority to issue proclamations or mandates without the consent of parliament and that his doing so on this occasion would establish a bad precedent and tend to perpetuate the Government by Mandate which brought Yuan Shi Kai's administration to ruin. In the meanwhile, that is while this question was undecided, the Southern leaders, accused President Li Yuan Hung, of lack of freedom of action, contending that he was in the hands of the old Yuan followers. They also demanded that Yuan's immediate supporters, such as Liang Shih Yi, who really handled the finances under Yuan and other important subordinates, be relieved of responsible positions and held to answer for embezzlement and misappropriation of Government funds, resulting in the bankruptcy of the Banks of China and of Communications. President Li caused Liang Shih Yi, head of the Board of Revenue, Chow Tsz Chi, Minister of Finance, to send in their resignations which were accepted. Dr. Cen Chin Tao, a graduate of the University of California, and Minister of Finance under the first Repu

Republic, was appointed Minister of Finance, to supersede Chowtzechi. This appointment is popular with North and South alike, or rather with all progressive elements. The Quintuple Loan Group, had refused to release the excess of salt revenues, above those necessary to pay the interest and principal on the Quintuple Group reorganization loan, as they had no assurances that the monies so released would not be used by the Yuan party to further their own political interests. The French Minister acting for the bondholders of the Belgian Railway loan for China refused later to acquiesce in the release of this money even though it could be demonstrated under the management of the new Minister of Finance that the surplus would not be used for political or personal purposes, as the Belgian bank had made an advance to the Yuan Government for railway construction in connection with the Lung Hai Railway, and the money was spent under Yuan Shih Kai's direction for political purposes. Since then the Chinese Government has been able to guarantee to the bondholders the reimbursement of the money, so I am given to understand, and the salt surplus has now been released. Overtures are now being made to certain foreign interests for loans to China for the reorganization of her finances, for assistance to the two Government banks which under a declaration of a moratorium or rather suspension of specie payments, have now for nearly two months, made no specie payments.

Following on the apparent inability of President Li Yuan Hung to secure the Premier's countersignature to a proclamation to give recognition to the Nanking Provisional Constitution, the Chinese Navy, acting in concert with the demands of the Revolutionary leaders or rather the Constitutionists, declared its independence of the Minister of War, the Military factions, and its adherence to President Li and the Constitutionists. On the evening of June 29th, three weeks after President Li Yuan Hung's succession to power, Premier Tuan Chi Jui and other members of the Cabinet, affixed their signatures to the President's mandates restoring the Provisional Constitution, reconvening the old Parliament, abolishing the State Council which Yuan Shi Hai created to supersede the Parliament, cancelling all laws relating to the Citizens' Convention which declared for a Monarchy, and summoning the Parliament to meet August first. This is a remarkable document and will down in Chinese history as the restoration of hope for a truly constitutional government. It is now anticipated that the three or four Provinces which have not up to the present cancelled their independence will do so immediately, that the Provinces will again remit their taxes due to the Central Government, to Peking, none having been remitted since six or eight months, and that the way is now paved for the establishment of a stable Government.

There is only one cloud on the horizon, which may obscure the sky of hope for the future in this country and that is the military party, which will or rather strive to reinstitute the military government, which marked Yuan Shih Kai's entire reign and made possible his retention of power for such a long period in the history of this country. The military generals will have to be dispossessed of their power and their organizations in order to insure peace. This I believe will be accomplished without a great deal of friction. The future looks fairly bright, in fact far more so, than it has during any time in the history of this country for many many years.

It is indeed gratifying to learn from the Legation that the Department of State and the present Administration in Washington, is now actively interested in trying to bring about a successful negotiation for the advancement of American capital to China, either in connection with American loans or in connection with participation in the Sextuple Loan Group, from which American capitalists three years and a half ago, withdrew. China offers a marvelous field for American capital and American enterprise, provided a stable, progressive government can be instituted. The Chinese people are peace loving, industrious, and possessed of all the mental and physical potentialities of the ~~nations~~ peoples of any other nations of the world. Foreign capital is necessary, not only to assist in the developments of the very rich resources possessed by this country, but to inspire confidence on the part of the native capital in the great possibilities of this country. The future is now very bright indeed and now is the time for American capital and American brains to come to China's aid, for by so doing markets will be created for our goods which I dare say within the few decades will place China in the front ranks of importance to our foreign trade.

Respectfully,

Commercial Attache.

June the thirteenth

1916

Political Conditions In Shanghai and Opinions of Southern Leaders
(Memo prepared by Commercial Attache for the Legation)

In Shanghai from June 8th to 11th inclusive.

Interviewed Tang Shao Yi, C.T. Wang, Dr. Wang Chung Hui, Y.C. Tong, K.C. Chen, Sung Han Chang, C.C. Nieh, Chu Li Chi, Chung Men Yew, Pan H. Lo, Wu Ting Fang, Liang Chi Chiao and Wen Tseng Yao, and Chow Kwo Hsien.

General consensus of opinion that death of Yuan Shih Kai was Providential and makes possible the satisfactory settlement of the political situation. All express great confidence in Li Yuan Hung, describing him as honest, patriotic, possessed of strong character and having the confidence and respect of all who have the interests of their country at heart. No indication of a desire on the part of any to see any one else in the Presidential chair for the unexpired two years of Yuan Presidential term. All agree in that the original provisional constitution must take the place of the revised so called Yuan provisional constitution and that the State Council must be abolished and the original parliament of State Assembly reinstated with the original members. All are unanimous in opposition to Liang Shih Yi and the other immediate supporters of the Monarchy movement, the majority demanding that Liang Shih Yi, Yang Tu, Chu Chi Chien and Chow Tsai Chi be punished according to law. The feeling against Liang Shih Yi and Yang Tu is particularly bitter, in every case the persons interviewed stated that it would be necessary to eliminate Liang Shih Yi from political position and participation, some being very insistent in their demands that he be punished. Without eliminating Liang Shih Yi, it was generally stated that President Li would lose the confidence and support he now has, as the feeling throughout the country, more especially the South, is very bitter against Liang Shih Yi. Liang Chi Chiao and Wen Tseng Yao were most bitter in their denunciations of Liang Shih Yi. C.T. Wang, Dr. Wang Chung Hui and Tong Shao Yi appeared to be willing to stop at Liang Shih Yi's retirement to private life. The others expressed themselves strongly as of the opinion that the South would not tolerate Liang Shih Yi in the new Government, at least for some time to come. On the whole Liang Shih Yi seems to be blamed almost to the same degree as Yuan Shih Kai for the monarchy movement and the aftermath. He is also held responsible for the present financial crisis, some being of the opinion that he has looted the Bank of Communications and should be made to make good the shortage. Generally speaking, those interviewed agreed that the Chinese Government should accept the responsibility for the debts of the two banks, although it was the consensus of opinion that the Bank of Communications should after its obligations have been met be closed and the Bank of China alone be maintained as a Government Bank. There was a surprisingly friendly attitude exhibited toward Japan in her insistence on Yuan's retirement. Some expressed themselves as solicitous of the future of China should Japan find a pretext for interference, yet on the whole there is apparent a feeling that Japan has decided to court the friendship of China rather than otherwise. Wen Tseng Yao, especially, exhibits a strong friendly feeling for Japan and accredits Japan with friendly motives.

motives.

There was on the part of all an expression of disappointment in the attitude taken by the United States toward Yuan Shih Kai and Liang Shih Yi. I was asked why the United States wished to help Yuan against the South by lending him money. I explained very fully the fallacy of the statements which appeared in the press in this connection and assured those whom I interviewed that the Legation had no desire to assist one faction against another and that no loans had been made which could in any way bring financial assistance to the Yuan faction. All expressed a very strong appreciation of the attitude of the United States toward China in the past and were desirous that American capital and American advice and assistance be forthcoming in the future, but in keeping with the aspirations of the new Government and not as assistance to the old reactionary faction.

Liang Chi Chiao stated that he was particularly desirous to see American capital and assistance in Yunnan, Kweichow, Kwangsi, Szechuan and Kiangsi and Hunan. He intimated that President Li will give him a free hand in designating men for Provincial posts in these Provinces. He stated that Tsai Ao will remain as Tutuh for Szechuan and that he will be able to secure for American capital and enterprise opportunities in Szechuan through Tsai Ao. Like wise he will be able to assist American capital in the other mentioned Provinces especially Kwangsi. As for Hunan, he stated that Tutuh Tan will be replaced by a man more friendly after which it will be possible to secure mining opportunities for American capital. As for Kuangtung, he stated that nothing can be done for the present. Liang Chi Chiao informed me that being in mourning he will not accept official position although the President wants him to come to Peking for that purpose. He hopes to center his attention on Provincial reforms and the inauguration of local government throughout the Southern Provinces. In a word, it appears he hopes to dictate the policy for the Southern Provinces, especially those named by him. He hoped American influence would not assist those who were responsible for the monarchy movement. He asked that his kind regards be extended to Mr. Reinsch for whom he claims to hold the highest regards and will be pleased to hear from him and assist in securing opportunities for American capital.

Wen Tseng Yao exhibited a surprisingly friendly attitude toward Japan. He stated that the South is making two immediate demands of President Li. The recognition of the original provisional constitution and the convening of the National Assembly. So soon as these demands are met four delegates will be despatched by the South to negotiate with President Li for the convening of the Parliament. These are T'an Hua Lung, Ku Chung Hsiu, Chang Yi and one other. The National Assembly will be contended meet in Peking provided they are permitted the protection of Southern troops, to accompany them to Peking. The Parliament shall be made up of the old members and the State Council disbanded.

Tang Shao Yi recommends as possible members of the Cabinet Dr Wang Chung Hui, C.T. Wang, Dr. Chen Chin Tao, Mr. K.P. Chen and the possible retention of Tuan Chi Jui as premier. Restates that Liang Shih Yi will be obliged to retire to private life as the best treatment that can be accorded him and that Chow Tsz Chi will be obliged to retire temporarily at least.

Mr. Pan H. Lo, Director General of the Shanghai Hangchow R.R. stated that Chekiang would soon cancel her independence and that he expected to be able to run the railway to Hangchow again within a few days. There is general rejoicing in Chekiang as a result of President Li's succession, so he states.

There is a general feeling or rather the above men expressed themselves as of one opinion on the possibility of the union of important contending factions.

Tang Shao Yi was very emphatic in his recommendation that both banks be converted into commercial banks under private management and stated that he was make recommendations accordingly to Peking. He favored the closing of the Bank of Communications entirely.

Shanghai celebrated the succession of Vice President Li to the Presidency. A spontaneous display of Chinese flags on a large and extensive scale was noticeable throughout the Chinese sections of the city. Prices of native products advanced immediately after the announcement of President Yuan's death. The Fou Foong Flour mill the largest in Shanghai reports that following the succession of President Li, they sold 70,000 bags of flour at 5 cents advance in price over that obtaining before Yuan's death. This is the first substantial business the company can report in six months. Similarly ground nuts and native cotton yarns have advanced in price. Mr. C. C. Nieh, proprietor of a large native cotton mill reports that he had to close down his mill as his warehouse was full of cotton yarn which could find no sales, but immediately upon the announcement of Yuan's death and the succession of the Vice President to the Presidency, orders came in and now he has started his mill again and doing a splendid business. Thus the tone throughout native circles in Shanghai is confident and optimistic now as contrasted with one of lack of confidence and pessimism a few weeks ago. Except from Government offices, no flags were displayed at half mast in Shanghai upon the announcement of the death of Yuan.

Commercial Attache!

CONFIDENTIAL.

UNITED STATES
DEPARTMENT OF COMMERCE
BUREAU OF FOREIGN AND DOMESTIC COMMERCE

COMMERCIAL ATTACHE
PEKING, CHINA

AMERICAN LEGATION,

August 28th, 1917.

Subject: Japanese Cooperation in
American Enterprise in China.

The Foreign Secretarial Department,
The Equitable Trust Company of New York
57 Wall Street, New York.

Gentlemen:

In reply to your letter of July 9th, requesting a statement as to my opinion of the advisability of accepting Japanese cooperation in connection with possible capitalistic enterprise in China, I have to advise you against it. Theoretically Japanese participation in American enterprise in China is not without some advantages. The Japanese possess a greater knowledge of China and conditions obtaining in this country than do any other peoples, not even excepting the Chinese. Furthermore, the close similarity of the written language of Japan to that of China adds to Japan's position of advantage. The proximity of Japan to China, the cheapness of Japanese labor, the capacity of the Japanese for organization are further assets possessed by these peoples in their prospective relations with China. A Chinese in prominent position in Chinese official life recently told me that he considered that the Japanese understand the Chinese weaknesses, probably not better than do some few Americans, but that it was not merely the question of understanding the weaknesses of his people, but rather a willingness to cater to these weaknesses. The Japanese are crafty, smooth and will resort to any means to gain their ends; in fact they seem to get more satisfaction out of winning out by unfair means than otherwise. ~~It was in this particular that the Japanese were made for more success in the immediate future in their activities in China than would the Americans who will play the game as gentlemen rather than to stoop to the crafty methods of the Japanese.~~ The Chinese who made this statement was graduated from an American University, and has occupied one of the highest political positions in his country.

would be equally successful whereas

might have to proceed more slowly.

It is, in the main, because of what appears to me to be a lack of ability in its final analysis to play the game in accordance with the recognised Anglo-Saxon rules of the game, that I look with disfavor upon Japanese cooperation with American activity in China. That same craftiness which might gain a temporary advantage in its dealings with the Chinese, especially so, with its superior knowledge of Chinese weaknesses, cannot in my estimation be trusted by those who are cooperating with

it presuming that association with it were desirable. I do not intend to imply that all Japanese would act in this way, nor to state that there may not be cases in which success in cooperative efforts may not be of a signal sort. In fact, I should be disappointed if in their cleverness they did not try to make a shining success of several instances of cooperative effort.

In writing a New York book advising against American Japanese cooperation

You may be at a loss to understand why it is that Japanese seem to seek American cooperation. You may argue that if the Japanese possess all the advantages in connection with their position in China which I ascribe to them, why should they not rather exploit their opportunities in China by themselves and for themselves, especially now since the European War has resulted in giving Japan that which she formerly sadly lacked, namely ready capital, in fact, has lifted her from a position threatening national bankruptcy to the exalted throne of a creditor nation. It is not knowledge of China, nor capital, nor natural advantages in her relations to China, that Japan is lacking. She lacks one great asset possessed by the American people to a greater degree than that of any other peoples, in their relations to China, and that is the confidence and friendship of the Chinese people. Furthermore American cooperation in Japanese activity in China would also help to dispel American and hence all foreign criticisms of Japanese methods and designs in China, for America by becoming a business party with Japan in enterprise in China would probably find that those business interests thus allied would suffer or at least be made to suffer by what would be interpreted by the Japanese as undesirable criticism. Thus by becoming a party to the crafty methods of the Japanese we could no longer stand aloof and criticize these methods. We ~~are~~ ^{cannot} ~~hardly~~ ^{are} in a position to become partners to Japanese enterprise or permit Japanese to become partners to American enterprise, and at the same time maintain a satisfactory controlling and managing interest in such enterprises.

cooperation in China among other things I made the following statement "quote"

You may be inclined to interpret my denunciation of Japanese methods as unwarranted by facts and therefore as unjust, hence unsound. I have resided in China and Japan for fifteen years, during the whole of which time I have been in our government service. Up to the conclusion of the Russo-Japanese War, I was an ardent admirer of the Japanese people, in fact pride myself upon being one of the few foreign residents of North China who predicted Japanese success in that war. Shortly after the conclusion of the war, I was commissioned by my government as Consul to Formosa, Japan's first colonial possession. My two years residence in this Japanese insular possession were from

a personal view point delightful as no people could have been more generous in their hospitality accorded me than were the Japanese officials in that beautiful island colony. I do not feel however that princely treatment accorded me personally warrants me in any sense of the word in closing my eyes to methods pursued by the Japanese Government in its administration of this colony. Briefly, I might say, there are 3,000,000 Chinese-Formosan-Japanese subjects, 120,000 aborigines and about 100,000 Japanese resident on that very fertile Island. It happened during my residence there that the Japanese-California School question reached its early acute stages. While Japan was protesting against the people of California setting aside special schools for Japanese children in California, schools paid for by California taxes and education provided free to Japanese children, ~~in Formosa~~, the Japanese administration ^{in Formosa} caused to be erected from insular funds, better elementary and secondary Japanese schools, than Japan proper could boast of, not for the children of the Chinese Formosans who in reality paid for these schools, but for Japanese children exclusively. Schools were provided for the natives but in a more humble way. In fact, the Governor General informed me that the administration did not believe in giving to the Chinese Formosan subjects any more than a rudimentary education. The Japanese press throughout Japan denounced California's attitude toward the Japanese students while a Japanese censored press in Formosa made no unfavorable comments on a refusal on the part of the Japanese authorities to permit Japan's own insular subjects attending schools built from taxes paid by these subjects, nor to comment upon the fact that Japan does not even permit the people of Formosa (Chinese-Japanese subjects) emigrating to Japan, nor were they during my residence there allowed to return to China.

In the South of Formosa, the Japanese developed the sugar cane industry and to a marvellous and admirable degree, so that today Formosa supplies practically the entire Japanese sugar consumption. The natives were encouraged to grow sugar cane by every possible laudable means, at the inception of these developments. After the industry was thoroughly modernized and all the land economically available for sugar production was planted in cane, some of the growers wished to plant their land in rice as they found it impossible to more than make a living by growing cane, as the Japanese authorities forced the growers to sell their cane to designated mills at prices fixed by the mills. If these prices were not suitable to the growers, an appeal to the sugar Bureau was offered as a means of redress. Unfortunately the Sugar Bureau was controlled by the same interests which controlled the mills, so that while free market conditions as existent in the Hawaiian Islands gave the growers 66 2/3% of the price

realized

realized for the crude sugar, the growers in Formosa did well to get as much as 33 $\frac{1}{2}$ %.

In Formosa the Japanese held as a government monopoly the preparation and sales of opium, presumably on a basis of gradual prohibition. An American opium commission visited the Island to study the workings of this reputed admirable system of gradual prohibition under government auspices. They were shown the workings of the system as the Japanese would have them see it and reported in glowing terms on the admirable opium regulations. Shortly after the issuance of this report, I commented one day to the Governor General on the fact that the scheme of gradual prohibition seemed to result in increased imports of opium. He tried to explain this fact by stating that the imports for that year were larger than those of the previous year because stocks at the end of the last year were thoroughly depleted. When I showed him that the figures for ten years, indicated a constantly increasing business, he stated that while the number of smokers were reduced, yet those who now smoked being inveterate smokers demanded purer products hence smoked more. Finally, when I suggested that the government found it hard to get along without the \$1,000,000 revenue from the opium monopoly, he frankly admitted it needed the money, and that the so-called system of gradual prohibition was a farce. Yet the American commission were sent away from the Island with glowing accounts of the wonderful humane and yet effective method of opium control as administered by the Japanese authorities in Formosa.

During the anti-American boycott in Shanghai, ^{in 1906} while I was vice consul there, one of the meanest factors we had to contend with was one of the leading Chinese newspapers which took the strongest stand in advocating the boycott of American products. It was finally discovered that this paper was registered in the Japanese Consulate, hence under Japanese protection.

Since the outbreak of the European War, Japan has had reason to enter Shantung Province in her efforts to take from the Germans what is known as the Kiaochow Concession. Unnecessary violation of Chinese territory was committed and after dispossessing the Germans of their Asiatic stronghold, they encouraged a disordered condition in Shantung Province, so that Japanese troops could be stationed in Shantung on a pretext of maintaining order for the protection of Japanese interests. Lawless characters were apparently transported from Manchuria to Shantung and armed with Japanese rifles to assist in maintaining a condition of disorder necessitating on the Japanese part in its proclamations abroad the maintenance of Japanese troops along the Shantung railway and at other places in Shantung on a pretext of the preservation of the peace of the Orient, the same

plea which justified the taking of Kiao-chao.

You may be inclined to argue that instances above recited, which by the way are not by any means all that have come to my attention, are after all those which concern government action and policy, which are, so it might be contended, susceptible of alteration.

As for non-official Japan, I am of the opinion, which I believe I may rightfully claim is based upon a continuous actual contact with the situation, that the time is not yet ripe for American Japanese cooperation. I believe the Japanese individual in his attitude toward modern business will in course of time learn to play the game according to Western rules, that is, with his cards on the table when necessary, but I do not believe it safe or in any sense wise to place one's interests in a position to be controlled by him even in part, unless it is perfectly clear that to advance his own position he must correspondingly advance that of his foreign partner in the enterprise.

For instance, prior to the outbreak of the War, there existed on the Pacific a steamship conference agreement to which one of the Japanese companies was a party. It was agreed in this conference that exclusive shippers by the conference lines would receive a 10% rebate at the end of each year on all freights paid in. A certain British firm in Japan shipped on non-conference lines as well as on the conference steamers. The American S. S. Co. did not favor this company with rebates, because of its non-observation of the clause in question. But the Japanese company at the end of the year sent its representative to the office of the British company and deposited on the desk a sum equivalent to 10% of its freight payments to that company, making no comments or asking for no receipts.

A Japanese company holding an agency for American plumbing supplies, was approached by an American for prices on the American products for which it held the agency rights, in fact, the American manufacturer requested the American in China to secure the materials from its Japanese agent. The Japanese company, one of the largest and most reliable of Japanese concerns, tried in every possible way to persuade the American to take similar Japanese manufactured products, even to making special concessions.

One source of our trouble in trade in China comes with Japanese imitations of American trade marks. We would suffer far worse from this evil were it not for the constant vigilance of our consular service in this country.

American merchants in China report that shipments of steel and metal goods coming on Japanese steamers arrive short of cargo, and that they are satisfied that the shortages are due to demands in Japan for these materials, the shipping companies finding it to their advantage to take from each shipment a certain amount the aggregates of which are considerable. As prices have been on the upward grade, the meeting of claims on invoice values leaves the steamship companies or those to whom the steel goes in a position of advantage.

An American company in China which until recently held a Japanese steamship agency stated that when the Japanese ship came to port, instructions would be invariably received a few hours in advance of the arrival of the steamer that all space was booked, and generally speaking cargo from Japanese shippers only taken even when it had to leave with some unassigned cargo space.

American firms in Shanghai have informed me that Japanese shipping companies will quote rates, but when space is applied for, often none is available, when it was discovered that the same products were later accepted for shipment from Japanese firms.

There is still another consideration militating against American Japanese cooperation in China. American ^{merchandise} activity and ~~and~~ products would through this cooperation tend to lose ^{its} identity. Every American product sold in China under American auspicious helps to sell other American products; whereas the Japanese tendency to imitation and the keenness displayed by them in advancing their own interests, would make one fear that American interests would suffer in China when allied with Japanese activity.

The sale of American products under American auspicious, the investment of American capital with American organizations in the field, the development of China's resources with American capital assisted by American brains, is all helpful toward the extension of American prestige, the American language, American ideas and American ideals in China, whereas, on the other hand, linked with Japanese management or control they would sacrifice to a ^{great} considerable degree their American character.

Thus I believe Japan has to gain by American-Japanese cooperation in China, firstly, a share in the big assets possessed by Americans, ^{namely,} in the friendship of the Chinese people, now sadly needed by the Japanese; secondly, the opportunity of ^{the} furtherance of political ^{Japan's} aggression under the cover of American participation by the ^{dictation,} through cooperative activity, of American policy; thirdly, the elimination to a certain degree of American competition and the

destruction

destruction of certain amount of the American character of what would otherwise be American activity and American products; fourthly, the opportunity thus accorded of permitting the Japan's parties to the cooperative activity, utilizing information secured by their participation to advance Japanese rather than American interests.

Japan's ambition seems to be to exploit China to her own selfish ends and not to encourage development which will accrue to China's advantage, while America's aim for her own commercial advantages is one of encouragement to native industry. Thus in intent, ideals and methods the two peoples differ, which makes cooperation impractical from the American view point.

If your bank is persuaded, in spite of what I have to offer to oppose it, to become a party to Japanese activity in China, then I trust it may be done with open eyes and under an arrangement which will permit of your bank maintaining sufficient control to assert its American character and to guard against its being used to advance Japanese as opposed to American interests in China. In a word, safeguard yourselves, so that the Japanese interests will be obliged to play the game according to the Anglo-Saxon rules of the game.

I have written here very frankly because your letter seems to place a certain confidence in what I may have to offer on the subject. I have tried throughout my fifteen years residence in the Orient to be unprejudiced in these matters and to see facts in their true light. I believe the Japanese are going to learn how to play the game but I do not believe they can as yet, nor will they, until they find out, as they will some day, that in the long run, it pays.

In the meanwhile, let us press onward in China with patience and with a vision; fair and just in our dealings toward all. Our ideals are looked upon with favor by the Chinese people who believe in us and who are shaping their new era, with America in the perspective. Our interests are extending in China year by year. Our great body of missionaries are doing a noble work for us here. Our merchants are building their business on solid American foundations. We need American ships and American capital to help advance these interests, and I trust that this country of probably greater commercial and industrial expansive potentialities than those possessed by any other nation, may have the attention and consideration from our American banking interests to the degree and in the manner which will make for the greatest advantage to both China and the United States.

If there is anything further which I can do for you in this matter, please do not hesitate to call upon me.

Yours very truly,

UNITED STATES
DEPARTMENT OF COMMERCE
BUREAU OF FOREIGN AND DOMESTIC COMMERCE

OFFICE OF COMMERCIAL ATTACHÉ
PEKING, CHINA

March 19, 1919.

Subject: Training Men to Advance American
Trade with China.

Dear Sir:

I know you will be pleased to learn that, since the signing of the armistice, American mercantile and manufacturing concerns have been exhibiting a greater interest than ever before in trade possibilities in China. This is evidenced by the flood of enquiries which are being received from American merchants and manufacturers and more especially by the nature of these enquiries, which are far more serious and indicate a keener interest in the opportunities which foreign markets have to offer than ever before.

The trade literature which comes to this office indicates that your organization is responding to the call of its members for a greater share in the world's trade. I have a proposal to make to you which, while helpful to the work of this office, will assist materially in the foreign trade extension plans of your organization.

I can use and train under my direction here in China from six to ten American assistants. I propose that your organization send a young man at its own expense, costing about \$3500 including transportation, to this office for one year's service and training. The man sent will be accorded ample opportunity to acquaint himself with commercial and industrial conditions in China and to meet those whose acquaintanceship will be helpful to the work of your organization. The work of this office is of a varied nature covering the entire field of commercial and industrial development in China. We aim to make the library of this office the best commercial library on China, anywhere.

China is larger than and three to four times as populous as the United States. It is now at the inception of modern commercial and industrial developments and will on this account offer an immense field for our foreign trade. Fortunately we possess the goodwill of the Chinese people to a greater degree than do any other peoples. There are probably no people who are more friendly disposed toward America and Americans than are the Chinese. This is an asset, the value of which we have not appreciated. We seem to fail to

realize that America is a Pacific power, with probably a greater Pacific coast line than that of China and Japan combined.

Altho our trade with China began with the inception of our republic, yet we do not begin to appreciate the opportunities and responsibilities which the future has in store for us in Asia. While the French have the slogan "Paris to Peking" and the British "London to Bombay to the Yangtze" by rail and by air, we have yet to indicate any interest in speeding up the bridging of the Pacific, our only medium of communication with the Far East. Our trans-Pacific liners are still of the antiquated snail-pace sort, our one trans-Pacific cable breaks down every month or so, we have no commercial trans-Pacific wireless service, and our navy is still shy of the Pacific altho our territorial interests in the Pacific are far vaster than those in the Atlantic. We need a slogan "New York to Shanghai in 17 days under the American flag" and another "San Francisco to Manila in 14 days under the American flag" and still another "Seattle to Vladivostok in 12 days under the American flag".

We won't have these slogans until the American people awaken to the fact that over half of the coast line of their possessions lies in the Pacific and their biggest future is there, in contact with Asia, where we find over one half the world's population. Your organization needs a man who has recent personal contact with China. Such a man can help your members to get into touch with what will prove to be the biggest field the world has to offer. He will also help the Chinese people to know your organization and after he returns to America be able to keep the Chinese in touch with your organization. Furthermore, such a man will be a great help to the work of this office, which is woefully undermanned, as Congress allows but \$1500 a year to the Commercial Attache to China for clerical assistance which does not even permit him the luxury of a stenographer, altho he is expected to cover a country bigger in area than the United States, and with a population seven times that of the whole of South America.

The only kind of a man who can be of use to your organization and to this office in this connection is a worker. I cannot use a man who comes here merely for the trip and to see something of the country. Nor will such a man be of any use to you, in fact, unless you can send a willing worker, it were better you sent no one. My cable address is "Pratarn Peking". The Bureau of Foreign and Domestic Commerce, Washington, can give you further details regarding the work of this office and useful material on China for profitable perusal en route, by any who may be sent here.

Very truly yours,

American Commercial Attache.

DEPARTMENT OF COMMERCE

BUREAU OF FOREIGN AND DOMESTIC COMMERCE

WASHINGTON

July 7, 1919.

American Commercial Assn.

Ack'd Aug. 7 5 1919
IN REPLY REFER TO 19

Rec'd AUG 5 1919

Ans'd

Subject

Mr. Julean Arnold, Commercial Attache,
American Legation,
Peking, China.

Dear Mr. Arnold:

Your report of May 17th, along with similar previous reports we have received from you, is of especial interest to the Bureau in that it raises a number of interesting questions.

We have noted particularly your address to the graduating class of the Li Ho Middle School and also that you filled ten such engagements last year and we can see the value of impressing the Bureau's work upon the minds of the Middle School students. We also note your activities in the American Woman's Club, and that through your efforts the attention of the members has been focused on the study of Chinese customs. It is possible that your suggestion that the Club build up a museum of Chinese women's wearing apparel and home utensils may be an excellent means to this end, and that the end itself may be justified in that it extends the knowledge of things Chinese among Americans.

Among the various items of direct interest to the Bureau, however, and to the American business public, the data regarding motor cars in China is timely and to the point, while the entertainment you afforded the president of the Pacific Metal Works and the publisher of the trade paper "Blast Furnace and Steel Plant" and the resulting discussion of ways of aiding American trade extension must have resulted in some interesting conclusions and we should like to have the benefit of such conclusions from time to time, so that they may be passed on to other interested parties. We note with regret your comment "I wish I had more time to give to American business men visiting China, etc." and we trust that when Mr. Meekins and his stenographer arrive you can delegate to him some of the numerous duties which impose upon your time and devote yourself more than ever to this all important phase of your work.

In this connection, Mr. E. W. Frazar has not yet called at the Bureau with reference to the Fukien Hydro Electric project to which you invited his attention, nor do our letters to him elicit any response. You, of course, are aware of Mr. Frazar's close Japanese affiliations and the special interest of the Japanese in Fukien and this has raised the question of whether Mr. Frazar was perhaps the best agency through which

this important project could be placed before American capital.

We note that you attended a meeting of newspaper representatives protesting against the Shantung settlement and, while the American-British-French communities in China may have sympathized in such a protest, the presence of an American official protesting against the formal action on the part of the American government at Paris was likely to be seriously misconstrued.

In general, we may say that after assistance is provided the Bureau shall look forward to considerable more of your time given to the direct trade promotion and assistance to American business men, as we feel that, though important, the indirect work can be carried on with much less of your personal supervision.

Very truly yours,

P. J. Stevenson

Commercial Attache Division.

FRE:HK

Mr. Arnold

The regional divisions such as Far Eastern, Latin American, etc. will in the future try to comment closely on reports and material from the attachés. *msj*