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Submitted by: A. Viola Smith, Trade Commissioner.

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This report consists of observations made by Mr. Frank N. W. Doodha, Clerk to the Commercial Attache, upon the occasion of a recent personal tour through the Hongkew area, which gives many illuminating sidelights upon conditions of trade in that former thriving section of Shanghai. Between August 14, and November 30, 1937, the Hongkew and Yangtzepoo districts, generally known as the Northern and Eastern areas, representing approximately one-half of the total square mileage of the International Settlement, were immersed in active warfare which resulted in colossal destruction to life and property. During this period entry thereto was rigidly prohibited by Japanese military. Since late in December access to these regions has been granted by the Japanese authorities only upon a most limited and restricted basis. No Chinese of whatever standing may enter without permits which are very difficult to secure. Foreign employers of Chinese laborers must not only secure permits but vouch for the conduct of their employees, as well as transport them in and out daily. Despite the fact that five months have now elapsed since war activities were far removed from Shanghai, this important industrial and commercial area of the International Settlement still remains under Japanese military domination. While such public utilities as gas, electricity, and water have been restored, the operation of tramways and public motor busses by the two public utilities holding franchises for operation from the Shanghai Municipal Council has so far been impossible of resumption.

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"OBSERVATIONS OF CONDITIONS IN HONGKEW---LITTLE TOKYO"

By

Frank N. W. Doodha, Clerk to Commercial Attache

As one saunters along the streets in Shanghai's "Little Tokyo", one is confronted with much activity, particularly in regard to road vehicular traffic composed mainly of military trucks, vans, busses, cycles, and passenger cars filled with Japanese military and naval units tearing along the road at neck-breaking pace and having complete disregard for traffic regulations.

Pedestrians jostle you hither and thither, the majority of whom are soldiers and sailors in advanced stages of drunkenness. Occasional street brawls between these uniformed men are seen, but they are generally quelled on the spot. It would be wise indeed to avoid collision or coming into direct contact with them when they are in a state of insobriety, as I have witnessed a few very unpleasant incidents involving foreigners. Much as I should have liked to intercede, under the circumstances I firmly believed that wisdom was the better part of valour, and refrained from so doing. The following particular incident is in my opinion worth noting. A Russian and a Japanese soldier were involved. The Russian was being very roughly man-handled within a few feet of a Shanghai Municipal Police Sikh constable. Whether he was witness to the origin of the affair or not I cannot say, but the unfortunate Russian was assaulted for no apparent reason. His plea for assistance to the arm of the law (to wit, the Sikh policeman) went unheeded, not because the policeman was incapable, but the mere thought that whatever remonstrations he could make to the soldier would not have any result, compelled the constable to remain just an "ornament of the law"!

Before proceeding further, I may say that all price tags on shop window displays were marked in Yen or Sen. Loose change for purchases are invariably given to customers in Japanese money at the same rate as Chinese money.

Cigarette stores: Prior to the war such establishments were like mushrooms in the Hongkew district. These have all been taken over now by Japanese civilians. All kinds of cigarettes are sold. Japanese cigarettes predominate, the most popular brand being the "Cherry" which is sold at Mex\$0.08 per packet of ten. Foreign cigarettes such as Camels, Chesterfields, Zephyr, Burloigh, Lucky Strike, Capstan, Three Castle, Ruby Queens, Craven "A", etc. are also offered, but they are undoubtedly "old" stocks commandeered from former Chinese shops. This fact was proven by making a purchase on the spot, the package being found to be mildewed. Furthermore, all packages were seen loosely displayed, that is, they were not in cartons or in their original packings. Foreign cigarettes are sold at 10% higher than one can buy in the other areas of the International Settlement or French Concession! There was a conspicuous absence of any Chinese cigarettes in Hongkew, though one noticed two or three brands purporting to be manufactured in China.

Stationers: Picture postcards of local and adjoining war scenes are much in evidence in these stores, as well as "PILOT" and imitation American fountain pens (in line with Conklin and Parker makes). Higher grade pens are sold at Yen 9 to Yen 14 per piece (present price of latest model Conklin or Parker pen as retailed at department stores in the International Settlement south of Soochow Creek is around Mex\$30 upwards per piece).

Provision Stores: Tinned and preserved foodstuffs are very much in evidence and only Japanese products (Morinaga lines) are stocked. Peter's Cocoa in regular rectangular tins are amply stocked. I have my doubts whether it is the genuine "Peter's" product, but the labels looked so real that I was completely baffled. Even the price was no criterion as invariably "profiteering" is rampant in Hongkew.

Wines: Japanese whisky selling at Yen 4 up per quart bottle is well stocked.

Beer: Only Kirin, Dai Nippon and Asahi Beer, all Japanese brands, are sold in Hongkew, priced at Mex\$0.48 per quart bottle.

Acrated waters: The famous Japanese "Cider" seemed extremely plentiful.

Bread: That offered is undoubtedly brought in from either French Town or the International Settlement south of Soochow Creek.

Macaroni and Vermicelli: All Japanese.

Tinned meat: All Japanese, priced 10% higher than foreign imported.

Fresh fish: The market seems to be well supplied with fresh fish and crustaceans. These are packed in ice in wooden cases which are clearly marked as imported from Japan direct; besides, some of the products seen were decidedly indigent to Japan. These are not as cheap as one would imagine.

Matches: This item seems to have been the main item of import from Japan and tons of cases either in wooden cases or just tin coverings are seen continuously being unloaded into trucks at the Japanese wharves and carried across into the Settlement south of the creek. I understand there are at least 40 different label brands of Japanese manufacture being sold in the local market at present. The majority of these matches have Chinese pictorial labels, making one believe the matches are of Chinese origin. Japanese

matches are invariably made of the standard size in the Chinese market, viz, $2\frac{1}{4}$ " by about $1\frac{3}{8}$ " (size of over-all boxes), and they are all of the black phosphorus type. In comparison with the American Far Eastern Match Co., Fed. Inc., U.S.A. products, they are much inferior in that the wooden sticks are much thinner and more fragile, and the phosphorus tips much smaller. They are sold at Sen 0.02 per box.

Fruits and Vegetables: Ample stock of these. Apples, carrots, beet-roots, potatoes, onions and tomatoes of Japanese origin were noticed.

Cement: Truck loads of Portland Cement manufactured by Mitsui Bussan Kaisha Works were seen being unloaded from Japanese steamers or being removed from the wharves. This cement comes in paper bags and several places I noticed gangs of "conscripted" Chinese coolies, together with Japanese civilians, busily engaged in transferring these bags of cement into gunny bags and barrels. These gunny bags and barrels are free from markings of any sort. The reason for this transfer is apparent. Local building contractors affirmed that Japanese cement is of high quality.

Sugar: This commodity has been in good demand and has been the center of much racketeering in Shanghai. The Japanese sugar, though very white, is said to possess less "sweetness" in taste, but the retail price of Mex\$0.80 per bag of 10 lbs. is quite an attractive bargain. Prevailing prices on foreign refined sugar are:

"Taikoo" Brand (British, Hong Kong)	-	Mex\$2.35	per bag of 10 lbs.
Holland (Java)	-	1.60	" " " 10 lbs.

For large quantities, Japanese sugar is sold at present at Yen 13.50 per 180 lbs. bag.

On making investigations as to the reason why the Japanese sugar could be obtained at 80¢ Mex per bag, I was informed that so much "smuggled" stuff has been brought into Shanghai it will have to be disposed of before the hot weather sets in, as sugar is highly perishable.

Activities in the sale of smuggled sugar in the Settlement have been curtailed considerably during the past five weeks on account of difficulties in obtaining "Japanese Military" Passes over the Garden Bridge. However, a prominent Japanese transport and commission agent firm, Arai & Company of 130 Hankow Road, seemed to have exceedingly close connections and influence with the Japanese Naval and Military authorities, and they are among the few people who are privileged to bring merchandise into Shanghai. Of course, other Japanese merchants are also undertaking the removal of non-duty paid merchandise into the foreign areas, but it was learnt on good authority that only twelve military and naval passes are in the hands of Japanese merchants, who in turn work through Italians, Portuguese, Germans and White Russians. It is interesting to note that there are but very few British or Americans who have interested themselves in dealing or having connections with the Japanese, as apparently these nationals are not much favored by Japanese.

Foreign Flags: A few months back one noticed many Chinese factories, residences and even shops (what was left of them) flying foreign flags, but I was told the Japanese got busy and weeded out those which they were certain were not entitled to foreign protection and had the places either sealed or looted clean. German firms, Siemens & Co., Carlowitz & Co., Siemens (China) Ltd., and Jobson & Company are said to have been particularly active in giving protection to Chinese factory owners, but Italians were the most active

in this respect as invariably they were accorded preference by the Japanese authorities. In cases where foreign protection was given to a former Chinese factory, machinery (if there was any left in the premises!), together with other important equipment, was removed into a place of safety in either the Settlement or the Concession. Where this was not feasible, the posting of a flag over the building and occasional visits by the "foreign" representative owners were arranged to ensure that nothing was touched by the Japanese. It is understood that documents transferring the property to foreigners could be easily obtained at the Italian, German, and other Consulates by making adequate payment of fees at the consulates concerned. A retaining fee or monthly stipend is arranged between the Chinese owners and the foreigner employed, and a mutual agreement is generally signed between the two parties.

Electrical goods: An imitation double lamp switch with nickel plated cover and bakelite switch knob and porcelain base sells at Mex\$0.80 per piece. The following imprints were noted on the nickel plated covers: C.E.C. Co., U.S.A., 3A 250V 5A 125V. On casual examination it is easy to detect the imitation. Coils of high tension and low tension wires are wrapped in wrappers bearing initials purporting to be imported foreign goods. Apart from a scanty supply of electrical wires, insulating materials, and a large stock of switches of all kinds, there was not much other electrical equipment on display.

Electric Cookers, toasters, coffee percolators, heaters of Japanese manufacture were much in evidence. Prices were reasonable, less than half of the price of American products of the same category.

Radios and radio parts: There must be some kind of regulation governing the export of these articles from Japan as there were very few radio sets or equipment on display, excepting a small quantity of American makes which appeared to have been amongst the "loot" taken in Hongkew.

Refrigerators: Very few Japanese makes in Hongkew, but it surprised me to find several Frigidaires and G.E.C. models being used in several Japanese cabarets, possibly stolen machines.

Automobiles, Trucks, Busses and Motor-cycles: Motor cars used by Japanese civilians as well as army and navy personnel were 90% U.S.A. makes. The most popular makes seen were Ford V-8, Plymouth, Buick and Chevrolet. There were a dozen or so Japanese-made cars - Datsun and Nissen being the two principal makes seen.

The trucks used by the Japanese army and navy all seemed to be of Japanese manufacture, with no insignia or name visible. However, there were quite a few American makes, the majority of which were Ford, International, Diamond "T", Dodge, Federal, and Fargo. I did not see one car or truck used by the Japanese which was of Continental or British make.

Amongst the motor cycles in use the "Mazda" (three wheel light delivery motor cycles) came next in popularity to the American Harley-Davidson.

Diamond "T" chassis with Japanese built bus bodies were seen. These busses were undoubtedly brought from Japan. They run between the Hongkew market and the outlying districts as far as Kiangwan. The fare is a flat rate of 5 sen. Very few foreigners make use of this bus service. There were other busses seen which from my observation were former units of the Shanghai Bus Co., Ltd. (Chinese concern). I did not see any of the

Shanghai-Wusih Highway busses being used. Presumably these were either driven out of town by the owners prior to the Japanese occupation of Chapoi, or the Japanese have captured them and are using them in other areas. However, I did not see any of them on the Shanghai-Minghong, Shanghai-Wusih or the Shanghai-Tsingpu (Zoso) highways.

Automobile Parts and Accessories: There were no such materials seen in the whole of Hongkew. Local garages, particularly Harking Motors, Auto Palace, Mark L. Moody, all located in the French Concession, are taking care of the Japanese business in emergency repairs. I was told that the Japanese army and navy have bought up all spare parts from local Japanese dealers and that there seemed to be a restriction in the export of such parts from Japan since the outbreak of hostilities. Wrecked cars, busses, and trucks in the outlying districts were all stripped of their engines and accessories. The jobs seemed to me to have been done by expert mechanics, as nothing was taken away forcibly. Nuts and bolts and screws were carefully removed with adequate and calibered appliances, all done by Japanese soldiers according to statements made by Chinese farmers in the outlying districts.

Motor tires: On examination of the tires on Japanese owned vehicles, I noticed the older cars carried a "Bridgestone" trademark (Japanese make) and some were "Dunlop" (Japan factory). No stocks of tires were seen in Hongkew.

Bicycles: Bicycle shops and dealers carry very little stock and those used by the Japanese soldiers and sailors in Hongkew and outlying districts were of Chinese makes, but none appeared to be new machines (all commandeered during the war I presume. There were thousands and thousands of bicycles used by Chinese as well as Japanese military and naval units in the countryside, particularly in Hungjao, Rubicon, Zoso and Minghong districts).

Gramophones: There were quite a number of these machines of Japanese make, as well as a number of Chinese make, on display, presumably taken from Chinese shops during the war in Hongkew.

Clocks and watches: No new stocks seen or displayed.

Rice and cereals: Not much seen in the market places.

Rice: Practically all the outlying country-side has been denuded of rice this year. No new seeds were planted. Farmers are seen in the fields planting vegetables, and when questioned about the rice they invariably informed me that they **do not** have the means to buy rice seeds. The state of the farmers is most pitiable. In the villages, Kiangwan, Rubicon, Jessfield, Hungjao, Minghong, Zose, Tsingpu, etc., the farmers' houses and huts have been destroyed or burned, leaving nothing but debris and cinders. All farmers bringing in vegetable or live-stock supplies into the Settlement or French Concession are forced to pay a tax to the Japanese military before they are permitted to cross the boundary. Before they reach the barrier (in the Japanese controlled areas) their stock of vegetables, etc. is subjected to inspection by the Japanese soldiers who in many instances forcibly take the stuff, thus leaving the farmer nothing. Any remonstrance on the part of the farmers means bodily injury and in some cases death.

Scrap Iron: Down in the Yangtzeopoo district, the Japanese have collected scrap of all kinds, ranging from door knobs to huge boilers. The scrap is dumped upon several empty lots which are now being fenced in with corrugated iron sheets and matting in order to shut it off from the public gaze! These piles in some places occupy acres of vacant land. At night the scrap is transferred into military trucks and shipped away to Japan.

Recently, large quantities of scrap and machinery were seen being removed from the Nantao area through the French Bund and Settlement Bund into Hongkew.

One can easily see that every bit of metal has been stripped, even hinges on doors, from all houses in Hongkew, Kiangwan, Yangtszepoo and other outlying areas which were destroyed during the war, and even from houses which are still intact.

Sodium Bicarbonate: Barrels of this are seen being transported into the Settlement bearing distinctive marks of Japanese origin.

Flash lights and batteries: Hand torch lights and batteries are much in evidence in Hongkew and they are sold at very low prices, much lower than Chinese make. For Sen 0.90 one can buy a nickel-plated torch with two cells.

Cameras: The German made "Leica" and "Contax" seemed to predominate, but a few "Kodaks" were seen. Quite a number of second hand apparatus were seen in several shops. Prices are extremely high. Imitation "Hawk Eye" (American) and other box cameras were seen, ranging in price from Yen 4.50 to 15 each, with fixed lens.

Dispensaries: Chemicals and pharmaceuticals were conspicuously absent in the Hongkew area. The former dispensaries do not seem to be overstocked with merchandise; however, cosmetics of Chinese and Japanese origin were seen on display.

Knitting wool: Much stock seen and enjoying good sales. Japanese women were busily knitting jerseys, presumably for the troops. The wool sells from Yen 2.50 to 5.00 per lb.

Old Newspapers: Old Japanese newspapers were seen to be much used for wrappers, but none sold in lots.

Rubber bands: Huge quantities of these rubber bands which are very popular with the Japanese shops for binding packages were seen being unloaded from trucks in Hongkow.

Leather goods: Leather trunks, suitcases, valises, loggings, bags, etc. were quite plentiful but on no account cheap. Absence of shoes and other footwear, excepting Japanese sandals and slippers, was noticeable. Rubber shoes and rubber boots were seen on sale but prices are much higher than Chinese manufacture. A Chinese pair of rubber boots (ankle high) made in exact replica of the American Keds, sold at Mex\$1.15 per pair! The Japanese product, almost the same design and material, is priced at Yen 2.50 per pair.

Motor fuels: Apart from the Japanese Naval Landing Party gasoline pumps and their army and naval receptacles, I did not see any other source of supply of gasoline anywhere. Apparently, these supplies are jealously guarded by the military and navy. At the wharves, huge quantities were being brought to China on each shipment from Japan. During the hostilities the Texaco supply of gasoline and oil in their Point Island Tanks was sold to the Japanese military through a Japanese agent, Arai and Company, but none of the Texaco staff was permitted to return to the Installation, nor can any other foreigner return to the island at the present time.

Glass and Porcelain: Plentiful in the Hongkew area and prices are cheaper than most of their other lines.

Prices of merchandise at Hongkow: It is apparent that preferential prices on all lines are given to Japanese, with the exception of articles carrying price tags. I priced a pair of rubber boots at Yen 4.80 per pair and a moment later a Japanese civilian was told that he could have the same pair for Yen 3.50! (My limited knowledge of Japanese brought out this fact)

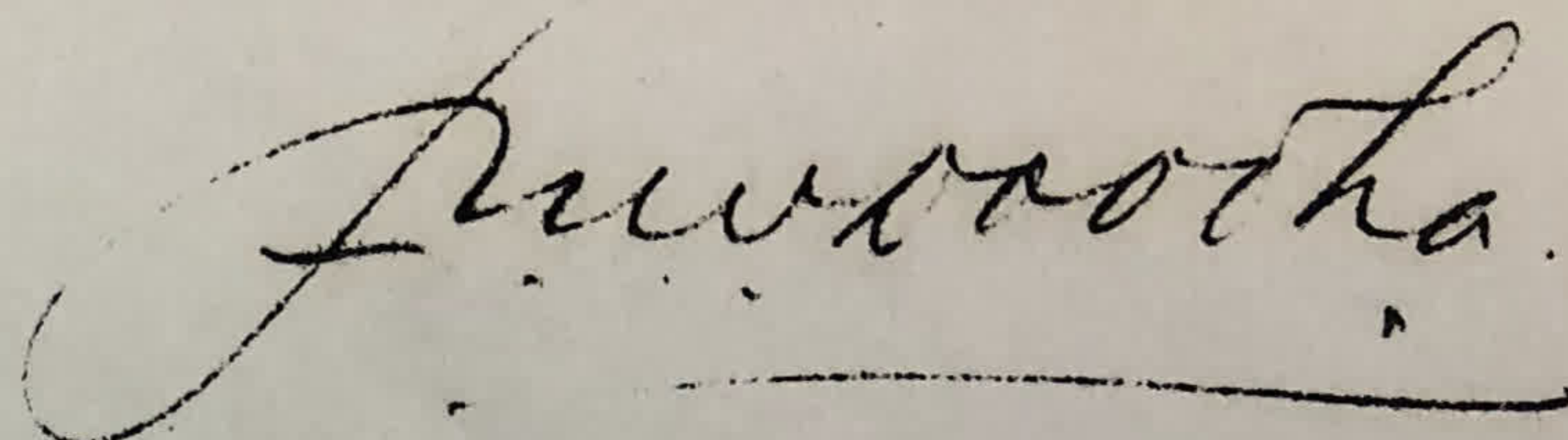
This preference is particularly noticeable when a Japanese soldier or sailor is the buyer.

I have been reliably informed that when the Hongkew area was abandoned by the Chinese business and residential people, all the merchandise and goods found in the shops, godowns, etc., belonging to the Chinese, were collected or entered in an inventory by a group of Japanese racketeers comprised of "ronins" (presumably with the cognizance of the military powers), and the articles were then distributed pro-rata to individuals or groups. Whether payments were made for a share of this "loot" I was unable to ascertain.

Profiteering on a large scale is very apparent, as I noticed there were no "standard" or "fixed" prices on the majority of articles, excepting matches and Japanese cigarettes.

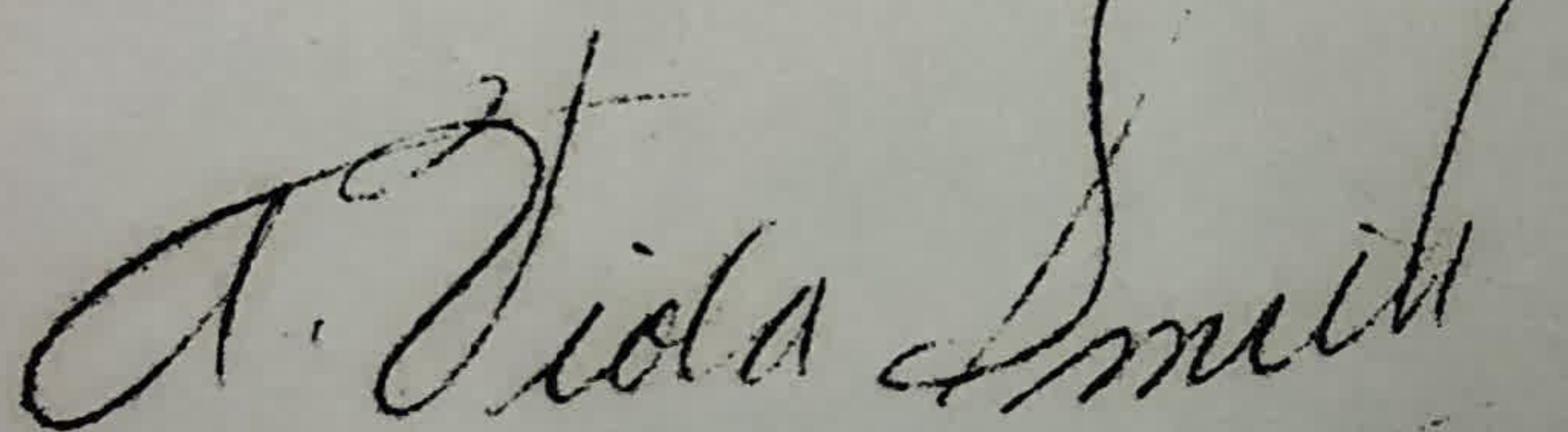
So far no rents are paid by Japanese shop-keepers occupying Chinese owned property. An interesting fact was revealed that many foreign property owners have appointed Japanese agents to collect rentals. Those caretakers were given free quarters plus salaries ranging from Mex\$200 to Mex\$400 per month. In some cases, they were given straight commissions from the amount of rent they were able to collect. So far as I was able to ascertain, among the foreign property owners, the following had Japanese caretakers: E.D. Sassoon & Co., Ltd. (Arnold & Co., Ltd.), Shanghai Land Investment Co., Ltd., China Realty Co., and the Sir Robert Ho-tung Estates (owners of nearly 400 houses and shops around Broadway, Minghong, Woosung and Miller Roads). I was told that no Municipal rates were paid by the present tenants to date, but that electricity, power and water bills are met.

On examination of the sundry wooden cases which were used in bringing merchandise from Japan, I was fully convinced that no customs's formalities were gone through, as they bore no signs of "custom's examinations" nor were there any foreign stencilled or written letterings or markings of any sort on the cases or containers excepting Japanese characters.



Frank N. W. Doodha,
Clerk to Commercial Attache.

Approved for Transmission



A. Viola Smith,
Trade Commissioner,
Temporarily in Charge.