

(City) May 14, 1938. (Country) (Date)

Report for the week ended

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Submitted by:
11-9366 G.P.O.
Finance Division
JUN 27 1938
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A. Viola Smith,

Trade Commission

JUN 20 1938

(Name)

WEEKLY ECONOMIC REPORT

(Title)

FOREIGN MAIL

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Japanese Obstructions to Foreign Trade:

Mr. J. E. Kovar, an

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China

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American exporter of many years experience in Tientsin, who was a recent visitor to our office, stated that the Japanese in North China are engaged in all kinds of trade hampering tactics. His casing factory, located just outside the foreign concession in Tientsin, is periodically visited by Japanese military representatives who pry into the factory's operations and ask most "exhausting" questions. Export shipments from Tientsin to the United States are seriously discriminated against in the matter of cargo space. If shippers will agree to ship direct from Tientsin to U.S.A. via Japanese ships, space is readily accorded, but when they want to transport cargo from Tientsin to Kobe by Japanese ships (only ones available) and transship to American liners, they are met with "very sorry for you--no space" explanations.

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On wool, linseed, cotton, bristles and other export commodities usually coming from Inner Mongolian points, Mr. Kovar stated that the Japanese military had organized a "racket" whereby they went into these regions and compelled the native producers to sell at prices set by the Japanese; cargo was then brought to Tientsin where the military regime in that city added their "cut" to the prices, and in turn tried to sell the cargo to foreign buyers at prices which were way above current world prices. If the native seller in the interior declines to sell his cargo to the Japanese military, and sells it to some one else offering him a

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better price, then the buyer or shipper finds himself blocked in getting freight space to ship the cargo, as the Japanese military are in control of all the railway and highway communications and will not let the shipments come out. In some North China districts, Chinese farmers are forced to sell crops to Japanese "buyers" who pay in "military paper currency" which, when presented to sponsored banks, is subject to a 50% discount.

Mr. J. S. Petter of the China Realty Company, Shanghai, informed us of some of the difficulties which his firm is having with the Japanese in the Hongkew areas. This American firm has for years acted as the rental agency for a large number of Chinese owned properties. Japanese tenants now own and demand that they be rented these properties but refuse to pay rentals direct to China Realty Company. The Japanese Residents Corporation had instructed all Japanese that rentals are to be paid only to the Corporation who in turn presumably will pay the landlords. But the joker is that if this Corporation desires to hold out any vindictive exactions in the way of "fancy" taxes, it is in a position to do so, especially where the registered property is of Chinese ownership.

In another instance the China Realty Company, having an option on a piece of property within the Settlement in the Hongkew area, in the hands of British subjects, was negotiating with a European company to rent the property, and had in turn given an option thereupon. Japanese "go-betweens" informed the China Realty that the military wanted this property and offered a higher rental per month. The European company exercised its right to take

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up its option with the China Realty, who, when they went to turn over the property to the new tenants, found that meanwhile it had been sealed by the Japanese military and that Japanese military guards had been stationed at the gate to prevent access thereto. The China Realty Company appealed to the American Consulate which formally wrote to the Japanese Consulate to ascertain whether it was true that an American company is not permitted to exercise its rights to act as rental agency for Chinese owned property in the Hongkew district, but to date no formal answer has been forthcoming.

(A. Viola Smith)

Japanese Economic Tentacles in Shanghai: Foreign traders who last autumn were glowingly optimistic about the building boom which rehabilitation was to bring in Shanghai, are becoming increasingly pessimistic as the long months drag out with the Yangtszepoo and Hongkew areas of the International Settlement and the Chinese areas adjacent to Shanghai continuing to be under rigid Japanese occupation, all of which persistently forestalls any attempts at rehabilitation.

Let any one be mistaken as to Japan's real intentions about the economic rehabilitation of Shanghai, or any other area which it has taken through military occupation, the fulminations of her official representatives are indicative when read in the light of known hindrances that Shanghai traders are daily encountering.

A. Viola Smith,

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Submitted by: On May 8, Consul General S. Hidaka, in a broadcast from Shanghai to

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Japan, stated that "the Japanese Ministries of War, Navy, Foreign Affairs, Finance and Communications, the Bank of Japan, the South Manchuria Railway Company and the Hsing Chung Company were cooperating in the rehabilitation of Shanghai, and that definite progress had been made in the revival of such enterprises as railways, shipping, aviation, communications, mining, fishing, electricity, waterworks, gas service, tramways and bus services." "Japanese owned cotton mills in and near Shanghai," according to Mr. Hidaka, "were now operating at 52% of their productive capacity." Further, that "eager to increase the output of textiles, Japanese interests were now negotiating with the owners of Chinese cotton spinning factories in Shanghai, Tungchow, Tsunming Island and other points for the joint management of their enterprises. Other important Chinese industrial undertakings such as shipbuilding yards, cement companies, flour mills, soap factories and others, are being entrusted to Japanese concerns for management or are being operated under joint Sino-Japanese control."

Mr. Hidaka's statement thus officially confirms what other sources have disclosed in recent weeks as to the manner in which Japanese were taking over the management of former Chinese industries. Most Chinese have been refused Japanese passes to return to their properties, even for inspection purposes, but where some Chinese textile industrialists have been given such passes, they report that upon visiting their properties they found them sealed with a large Japanese language placard on the door referring owners to the Japanese Cotton Mill Owners Association!

(A. Viola Smith)