

# THE DEVELOPMENT OF CHINA'S FOREIGN TRADE.

By JULEAN H. ARNOLD,  
American Commercial Attache.

*We publish to-day the first portion of a paper which the American Commercial Attache read at Tsing-hua College last Saturday on the immensely important question of the development of our foreign trade: the concluding part will appear in our next issue.*

It may seem strange to some of you that I should choose to address you on the subject of how China may develop her foreign trade when my business is essentially that of devising ways and means by which America may secure more extensive markets in China for her products. But suppose Mr. Wang were a manufacturer of clocks. Naturally, the more clocks he sells, the more prosperous his business and the more successful he is as a merchant. To sell his clocks he must find people who are willing and able to buy his clocks. He might by advertising or other means persuade them to buy his clocks, if they were able, that is if they could secure the money necessary to pay the price. You have learned in your studies that money is but the medium of exchange, a sort of a go-between in commercial transactions. It represents something exchanged, thus something produced either in commodity or service which has a marketable value. In its final analysis trade is then but barter. Mr. Wang can sell his clocks, because those to whom he would sell them have in turn been able to market their products. It becomes now no longer a question of ability to buy but one of willingness, and Mr. Wang can now devote his energies and talents to making his potential customers his actual customers by making them want to buy his clocks. Mr. Wang would show little or no business foresight if he did not look with favour upon and, when possible, encourage the prosperity of those in the community among whom he seeks a chance to sell his goods. A good merchant rejoices in the prosperity of his neighbours, for their prosperity adds to his opportunities. So it is that I, when seeking to enlarge the possibilities of American trade in China, rejoice in that which will make for greater prosperity among the Chinese people as their purchasing power will thereby be increased and hence their ability to buy American

but has come to China and, with a better knowledge of the market possibilities abroad for certain Chinese products, reaped a harvest here as well. Furthermore, grasping the opportunity afforded by the enforced withdrawal of certain belligerent powers from the China field and by the curtailment of the business of all western nations in China because of the dearth of ships and the consequent unprecedented rise in over-seas freights, she is displacing certain western products in the China market by those of her own.

Why has China been so slow to develop her foreign trade while her neighbour, Japan, has gone ahead with remarkable strides in this direction? China was opened to foreign trade centuries before Japan, yet to-day those who want to purchase China's products must come to China to get them just as the tea and silk importers did centuries ago. In the meanwhile Japan has sent her merchants to the ends of the earth seeking markets for her products. Those who wait for business to come to their doors and even discourage it when it makes an effort to come, surely cannot hope to be able to compete with those who go out after the business, equipped to undertake it.

## THE TEA TRADE.

China is a country particularly well adapted to a foreign trade; as, in addition to being blest with a wealth of natural resources, cost of labour and cost of living are lower here than elsewhere. In spite of this and that she may look to the high purchasing power of western nations for lucrative markets, China has not of her own accord made any efforts to avail herself of these marvellous opportunities to market her products abroad. It seems to mean nothing to the Chinese business men that eggs are retailing at sixty cents gold a dozen in California while the Chinese farmer cannot realize one-tenth this amount in his home market. China at one time supplied the world with tea, not because she sent her merchants abroad to preach the gospel of China teas to the West, but simply because Western merchants finding in China tea an article which they wanted came to China and compelled the Chinese people to grant them the privilege of buying their teas. By 1860, China was supplying Great Britain with about 250,000,000 pounds of tea representing to the Chinese people an enormous revenue probably as much as \$200,000,000, mex. The British people, keen and alert in commerce and trade, saw opportunities to grow tea in their

\$50,000 gold a year was contributed by the tea growers in India and Ceylon for advertising purposes in America and a man sent over there to spend this sum as best he saw fit for the purpose of forcing British-grown tea into popularity. The American people had from the colonial days been very partial to China teas. You all have heard of the Boston Tea Party. China had an interest in that little party for it was China tea from England that was dumped into Boston Bay. It took a great deal of labour to win a considerable part of the American population from the delicate subtle China teas to which they were accustomed. But gradually India and Ceylon tea has won one quarter of the entire American consumption.

## TEA AND ORGANIZATION.

While China teas are being ousted from the British and American markets by the Ceylon and India products, by a skilful campaign of advertising, etc., conducted by men who knew the business and who went from Ceylon and India to do it, what are the Chinese merchants and growers doing to save these very profitable markets for themselves? Nothing. While the British Board of Trade, British Government, British Chambers of Commerce were all assisting the British growers in their efforts to supplant China teas in Great Britain and America, the Chinese Government, Chinese Guilds, Chinese Chambers of Commerce and Chinese tea growers and merchants took no interest in the matter. In fact were it not for the foreign tea merchants in China, there would to-day be not a vestige of China tea in the American market, except, Formosa Oolong which, since the Japanese occupation of Formosa, has been listed with Japan teas.

How easy it would have been to maintain, yes, and to extend the consumption of China teas abroad? In the West, China and tea are almost synonymous terms. It is difficult to mention one without thinking of the other. The Americans love to think of China as the land of pagodas and tea. It would not be a difficult matter to make China tea so popular in the United States that instead of taking 23,000,000 pounds a year as they do now, 100,000,000 pounds would be consumed. Specially would this be feasible now, when there is so much agitation favouring temperance drinks. The delicate China teas should be on every ice cream soda fountain in the United States as an iced summer drink. But who is going to reclaim and extend the China tea trade in the United States? The foreign tea buyer

goods extended. Thus I am as much concerned with the ability of the Chinese to produce the goods which they would use in paying for the American products which they would buy as I am in seeing American goods imported into this country. I recognize as do all of you that in its final analysis international trade is but barter. When I help China to find a way of marketing her tea, silk, hides, wool, eggs etc. to good advantage in the United States, I not only render a service to China but I put China in the class of potential purchasers of American products.

### CHINESE LACK OF INITIATIVE.

It is indeed unfortunate that China has not been able to profit by the opportunities for foreign trade created by the great European War as have certain other neutral nations. I believe it can rightly be said that Japan is the only one of the belligerent powers that has as yet profitted commercially by the War, while China is the only one of the great neutral powers which has suffered commercially because of the war. Although China and Japan are neighbours and both beyond the scene of operations, why has Japan profitted while China has suffered in a trade way because of the war? Simply because China had not built up for herself, as had Japan, a foreign trade. When the war broke out, Japan with her mercantile marine, her big banking institutions, her skilled foreign trade organizations, her uniform currency system and her adequate internal transportation facilities was in a position with these essentials to a foreign trade, to make the most of the marvellous opportunities which the war has accorded her people. The alert Japanese merchant has not only profitted by the business of supplying products from Japan but has come to China and, with a better knowledge of the market possibilities abroad for certain Chinese products, reaped a harvest here as well. Furthermore, grasping the opportunity afforded by the enforced withdrawal of certain belligerent powers from the China field and by the curtailment of the business of all western nations in China because of the dearth of ships and the consequent

British possessions, Ceylon and India, thereby being able to secure for British producers and merchants a large share of the profits in this important trade. How well they succeeded in displacing China teas in the United Kingdom is indicated by the fact that thirty years after the inception of the tea trade in Ceylon and India, they captured half of the British consumption; and ten years later, that is by the year 1900, 97 per cent. of the tea consumed in the United Kingdom was British-grown. Was China tea ousted from the British market because of any inferiority of the Chinese product? Not at all. Tea experts will tell you that the China product is more delicate and subtle than the Ceylon and India teas which are manufactured from a larger and coarser leaf. If this is so, then you may ask: How did the British tea growers and merchants succeed in displacing the China product in the greatest tea consuming countries in the West? By organization and advertising. They first organized the industry on business lines which would allow of developing a large export trade and then proceeded by an extensive yet judicious advertising campaign to educate the British public to prefer Ceylon and India teas to China products. The tea plantations in India and Ceylon taxed themselves for an advertising fund, devised ways and means of producing and marketing their teas so as to place them on the British market to the greatest possible advantage to the trade. They did not content themselves with the conquest of the British market. Finding that the United States consumed annually a hundred million pounds of tea, they launched a campaign for introducing their products into the American market in competition with the China and Japan teas. And a fund of \$50,000 gold a year was contributed by the tea growers in India and Ceylon for advertising purposes in America and a man sent over there to spend this sum as best he saw fit for the purpose of forcing British-grown tea into popularity. The American people had from the colonial days been very partial to China teas. You all have heard of the Boston Tea Party. China had an interest in that little party

in China cannot afford to spend money advertising and popularising China teas beyond what he spends for his own brands, because the advantages would accrue to others who do not share the expense just as much as to himself. Such work must be done by an organization of the whole of the China tea interest. In mentioning this word "organization" we have revealed the secret to China's failure in foreign trade possibilities. Yes, without Chinese organizations, foreign trade will remain a foreign institution to China. We have in this one word the keynote to the whole situation. So soon as the tea growers and the tea merchants organize for the purpose of furthering the interests of the whole industry and not for some special advantages to a few, then we may hope for the inauguration of a work which may lead not only to the reclamation of the American market but to an extension of the trade in all quarters.

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Let me tell you what organization can do. About twenty years ago, the fruit growers in California were in a sorry plight. The railroad companies and the fruit commission companies who marketed their products became so despotic in their methods as to leave the growers with little or no profits from the sale and transportation of their fruits. The growers were disorganized, everybody working for himself and with no regard for any one else. Finally, realizing that business was impossible on this basis, they organized, eliminated the fruit commission men, and went after the legislators to go after the railway companies to make them give them a square deal. While doing this, they also agreed among themselves to standardize their products, so that any fruit shipped under the label of the California Fruit Growers Association would be recognized as being honestly packed, that is, good goods. Since then the industry has prospered, has brought hundreds of millions of dollars into the State and has provided happy homes for thousands of families. To-day the California Fruit Growers Association is concerned with a proposal to secure the assistance of the State Government in routing their fruits for them in the eastern markets so that a more intelligent, more scientific, hence more profitable marketing system may be established. The last number of the "Saturday Evening Post," an American weekly periodical which probably has a circulation of upwards of two millions a week in the United States, and which I am told charges about \$2,000 gold for a full page advertisement for one insertion, carries a full page advertisement by the California Fruit Growers Exchange for "California Sun Kist Oranges". The same periodical carries a full page advertisement by the California Walnut Growers Association for California walnuts. Fifty-two such insertions a year would cost at the above rate \$104,000 gold.

brought with him several cattles of American peanuts to give to his converts and their friends for planting, so that they might raise with the same amount of labour and on the same soil a larger and better oil producing peanut than the little shrivelled nut which they had been in the habit of growing. The planting of the American seed spread year after year until it was in use all over the Province. The foreign exporters became interested and by 1914, through the foreign firms at Tsingtao, Tientsin and Shanghai, who forced the growers to standardize their products, and to maintain the quality, and who furnished capital, transportation facilities, and foreign markets for these peanuts, Shantung was exporting upwards of 100,000 tons a year of these products to foreign countries. The credit for the upbuilding and maintenance of this industry must now go to the foreigner rather than to the Chinese growers and merchants. In fact, the foreign buyer must be constantly on the alert lest the growers slip in watered nuts to increase the weight. It is the same with a great many Chinese products. So soon as the producer finds that there is an opportunity of slipping in poor materials with a chance of his making a little by doing it, he will sacrifice future trade to the one present chance. This is absolutely fatal to foreign trade development. I am not condemning this practice as a thing which is peculiar to the Chinese. The same practices obtain in America until people discover that their future prospects are imperilled thereby or until legislation, contrived for the betterment of the greater number, remedies the situation. But the difference between China and the United States in this regard is that in the United States they recognize the evil when it appears and take steps to correct it, whereas in China it continues with no indication of improvement. I mention it here as being a very necessary essential to the inauguration of a healthful growing foreign trade.

### THE NECESSITY OF INFORMATION.

Let us therefore first and foremost have organizations through which the industries of China may standardize their products. This will go a long way towards creating a favourable market abroad for these products. Later, let those organizations as part of this work secure information as to the wants of the foreign markets. China manufactured silks have been entirely displaced in American markets, not because they are not good materials, but because they do not meet certain detailed requirements. The

are privileged to address our consuls directly soliciting information regarding trade opportunities abroad, and our consuls are in duty bound to reply to these enquiries. While Consul General at Hankow, I received and replied to several hundreds of these enquiries in less than a year. Where is there a Chinese Consul any where in the world doing anything for the Chinese merchants in China? In addition to this assistance our Department of Commerce sends experts to foreign countries to study and report on special subjects for the benefit of our manufacturers and merchants. For instance, a cotton goods manufacturing expert was sent to China a year ago and spent eleven months here studying and reporting upon the market possibilities for American cotton goods. He has since gone to India for a similar purpose. In the United States the Department of Commerce maintains offices in the important ports in charge of agents with the duty of making known to the manufacturers and merchants in these cities the information which the Government has collected and which may be of use to them in their business, and of letting the Department of Commerce know the wants of those manufacturers and merchants.

This work of the Government is supplemented and assisted by the labours of numerous foreign trade organizations. The Chamber of Commerce of the United States with offices in Washington representing six hundred American Chambers of Commerce acts as a clearing house for matters of general interest to all for these commercial organizations, and as a medium between them and the Government Departments and Congress. Numerous other trade organizations work for the betterment of our foreign trade relations. From all these agencies we are expecting results which will bring to our manufacturers and merchants effective connections even in the most remote corners of the earth. We have as yet much to do by securing adequate shipping and banking facilities to make for effective connection abroad, but there are indications that these are forthcoming.

### THE WORK OF MR. CHOW TZU-CHI.

China needs foreign trade far more than do the United States; for as stated above by so doing she has to sell from the cheapest producing into the highest purchasing power countries. Your Minister of Agriculture and Commerce with whom I have conversed upon numerous occasions since I have come to Peking is doing far more for the commerce and industry in your country than you probably realize. He has instituted a Bureau for collecting statistical data from the various provinces in China regarding their industries and commerce with the idea in view to assisting this commercial and industrial development. Special efforts are being made by his Ministry to extend China's foreign trade, to organize certain industries such as tea and silk with the object in view of developing their foreign trade opportunities. He has retained a foreign cotton growing expert to help in the cotton industry, an American forestry expert to assist in the work of afforestation, and an American commercial expert to assist in organizing the commercial work of his Ministry. It remains for the people of China, the merchants, producers, etc., to co operate with and encourage the work of the Government by organizing into effective associations for the advancement of China's trade abroad. Without organisation on broad lines, designed for the interests of all not only for to day but for to-morrow, next day, and

organized effort that I am inclined to will get some of these other or to a certain degree to make use of of your foreign trade. I need not fear proper Government in the event of constructive trade advancement has the nucleus of effective in her chambers of commerce. These organizations have function in a public-spirited interest themselves looking into the interests of organizations concerned with the settling of advancement of the it possible to convert live associations work to those which mark similar American societies then I see great hope for trade development.

Many of you students matriculation in America during the brains of government position worthy the talents needs college education the returned students have a endeavour in mer building and the re I hope that a good who go to the United education, I will education, for I consider your education to study commercial emphasis upon a commercial associations, to to your country prepared to adapt your country the to teach in the organized effort. and producer leadership organization, the big strides in her and those who a signal service to the people.

Who pays for these very expensive advertisements? One or two producers? No. The orange and walnut growers of the State of California because they realize that by organized effort of this character they can extend the market possibilities for their products. The same policy with similar results has been followed by Hawaii in marketing her pine-apples in the United States.

#### STANDARDIZATION OF PRODUCTS.

You must all bear in mind that one of the essentials in an effective organization for the extension of markets for any goods is a standardization of products. This China lacks, and sadly lacks. North China could sell millions of dollars worth of carpets and rugs in the United States if there was such a thing as a standard carpet, that is standard material, dyes and workmanship, yes, and price, so that every one of 100 rugs, ordered on sample, were up to the sample in material, colour and workmanship. To secure this the carpet and rug industry should be organized and every member agree to turn out honest products and those who do not be expelled and their goods discredited. At present there are in Peking a number of American dealers purchasing Chinese rugs in considerable quantities, but they cannot make sure of their purchase unless they remain here to see the carpets completed or retain some foreign firm to supervise the work for them.

An indication of the possibilities of standardization and organization in China is exemplified in the peanut industry of Shantung province. About twenty years ago an American missionary, returning from the United States to his station in northern Shantung, brought with him several cattles of American peanuts to give to his converts and their friends for planting, so that they might raise with the same amount of labour and on the same soil a larger and better oil producing peanut than the little shrivelled nut which they had been in the habit of growing. The planting of the American seed spread year after year until it was in use all over the Province. The foreign exporters became interested and by 1914, through the foreign firms at Tsingtao, Tientsin and Shanghai, who forced the growers to standardize their products, and to maintain the quality, and who furnished capital, transportation facilities, and foreign markets for these peanuts, Shantung was exporting upwards of 100,000 tons

French, Italian and Japanese silk merchants study the varying demands in the American market and try to meet these demands. The Chinese silk manufacturers should organize and have a means of keeping posted as to the demands in the richest purchasing market in the world, in order that they may meet these demands, and thus save their trade from being taken from them by other countries whose merchants and manufacturers are sufficiently alert to give these seemingly small yet all important details full consideration and attention.

Let us next have as part of the work of these organizations, the conducting of judicious advertising campaigns in the United States calculated to retain markets already established as well as to secure markets for new products. The co-operation of the Chinese Government is needed in this work. It has been the experience of the American people that when a considerable number of them want something from the government and want it badly, they get it. We were a long time in the United States in developing an interest in foreign trade for the reason that we had richer opportunities within our own shores.

#### WHAT AMERICA IS DOING FOR HER MANUFACTURERS.

But when our manufacturers began to feel the necessity of foreign trade, they made their representatives do something substantial to help them, so that to-day our Government has three hundred consuls and ten commercial attaches scattered over the earth scouting for opportunities for trade for the American manufacturers. Our Government publishes a daily newspaper comprising reports from its representatives abroad on trade subjects and opportunities which are furnished to American manufacturers, chambers of commerce and other trade organizations. Our consuls abroad, besides furnishing hundreds of special trade reports, compile for their respective districts annual reports on trade for those districts which are also published for the use of our commercial interests. American manufacturers and dealers are privileged to address our consuls directly soliciting information regarding trade opportunities abroad, and our consuls are in duty bound to reply to these enquiries. While Consul General at Hankow, I received and replied to several hundreds of these enquiries in less than a year. Where is there a Chinese Consul any where in the world doing anything for the Chinese merchants in China? In addition to this assistance our Department of Commerce sends experts to foreign countries to study and report on special subjects for the benefit of our manufacturers and merchants. For instance, a cotton goods manufacturing expert was sent to China a year ago and spent eleven months here studying and reporting upon the market possibilities for American cotton goods. He has since gone to India for a similar purpose. In the United States the Department of Commerce maintains offices in the important ports in charge of agents with the duty of making known to the manufacturers and merchants in these cities

all the future, the Chinese people may hope for but little in substantial foreign trade advancement, beyond what she will receive through the foreign merchants in China. The Chinese people owe a debt of gratitude to the foreign merchant resident in their midst. He it is who is responsible for building up and maintaining the Taels 400,000,000 a year exports which China now enjoys. With a more hearty and more intelligent co-operation on the part of the Chinese producer and dealer this trade could well be five times this amount. China has only to look to Japan to note the possibilities in foreign trade. Japan's export trade is ten times as great per capita as is that of China. Yet China has far more than ten times the wealth of Japan in natural resources. It is the consensus of the opinion of all who have dealings with the Chinese business man that he is a delightful man with whom to deal. He respects his contract, is reasonable, kind, hospitable and individually a good business man, but is criticised for the gambling propensities in his business, his lack of foresight, that is the sacrifice of the future for the present chance, and for his inability to work effectively in a corporation or organization. Without organization, I feel that the Chinese merchant and producer can make little headway in foreign trade development.

Some of you will say that China needs more than the organization of her producers and merchants even though the organizations should be on broad lines calculated to help and assist in the broadest possible way all interests involved. This is true. More is needed than mere organization and more even than standardization of products. Yes, to advance your foreign trade interests you need also a uniform currency system, more extensive and better managed internal transportation facilities, better native banks, a merchant marine, a consular service capable of rendering real substantial assistance to your mercantile interests and government aid and protection in native industry.

#### FAITH IN THE CHINESE GOVERNMENT.

But I have sufficient faith in the Chinese Government to believe that you will get all these just so soon as you really demand them, and you cannot demand them effectively until your producers and merchants show through organized effort that they are ready to make use of them when they do get them. I am inclined to believe that you will get some of these things in some form or other or to a certain degree before you are prepared to make use of them for the extension of your foreign trade. Thus, I feel that you need not fear proper response from the Government in the event you organize for constructive trade advancement. China already has the nucleus of effective organizations in her chambers of commerce and guilds. These organizations have not yet learned to function in a public-spirited manner, or to interest themselves in constructive work looking into the future and calculated to further the interests of all. At present these organizations concern themselves mainly with the settling of disputes and the advancement of the interests of a few. Is it possible to convert these organizations into live associations working along lines similar to those which mark the effective labours of similar American societies? If this is possible

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Many of you students are preparing for matriculation in American colleges. For centuries the brains of China have locked upon government position as the only calling worthy the talents of the educated. China needs college educated men in business and the returned foreign educated Chinese students have a rich field for constructive endeavour in mercantile pursuits for the upbuilding and the regeneration of their country. I hope that a goodly number of those of you who go to the United States to continue your education, I will not say, complete your education, for I hope none of you will ever consider your education complete, may select to study commerce and trade with special emphasis upon a study of industrial and commercial associations, co-operations and organizations, to the end that you may return to your country prepared not to transplant a foreign institution in a strange soil, but rather prepared to adapt to the peculiar needs of your country the lessons which the West has to teach in the value and effectiveness of organized effort. When the Chinese merchant and producer learn to work effectively in an organization, then will China be able to make big strides in her foreign trade advancement, and those who help in this work will perform a signal service for the whole Chinese people.