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BUREAU OF FOREIGN AND DOMESTIC COMMERCE  
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SAN FRANCISCO OFFICE:

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SAN FRANCISCO

Feb. 10, 1917.

Subject: Report, "Improving American Trade with China."

Bureau of Foreign and Domestic Commerce,

Washington, D.C.

Sir:

In reply to Mr. Rutter's communication of Dec. 8th, and Mr. Snow's communication of Jan. 26th, asking for a report from me for Hon. L.C. Dyer, Congressman, on methods of improving our trade in China, and as requested by communications of Dec. 4th and Jan. 24th, from Congressman Dyer to Secretary Redfield, I have now to enclose my report entitled, "Improving American Trade with China." I am sending this report in triplicate and respectfully request that one copy be sent to Secretary Redfield in response to a verbal instruction from him that I prepare for his information a report on this subject.

It is respectfully suggested that the Bureau read the report and if there are any phases which require further elucidation or more elaborate treatment, I should be pleased to send such supplementary material as is desired.

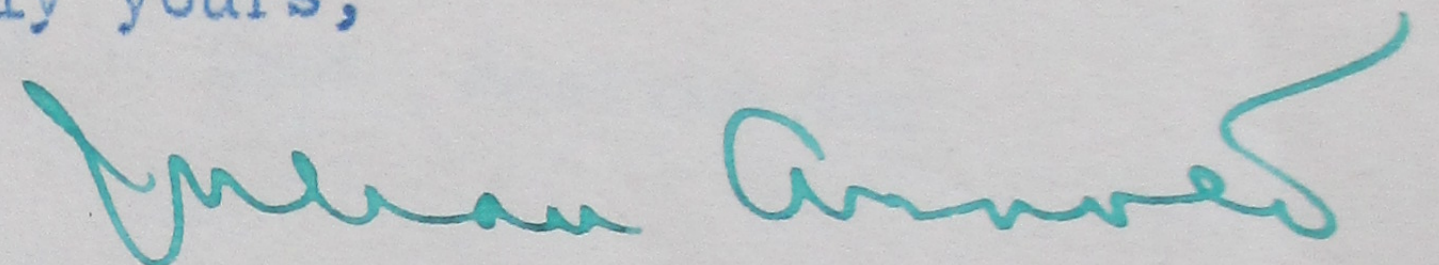
For Congressman Dyer's information, I am pleased to state that during my visit to St. Louis recently, the business men of that city exhibited a very commendable interest in the question of developing direct trade relations between their city and the Orient. I suggested to the Chamber of Commerce at a luncheon, at which there were between three and four hundred business men of St. Louis present, that St. Louis establish a foreign trade research bureau to do for St. Louis what the Bureau of Foreign and Domestic Commerce is doing for the whole of the United States. I suggested that this Bureau be established in connection with the work of the School of Commerce of Washington University at that city, and that it make a survey of the manufacturing and other industries of St. Louis and vicinity, so as to ascertain the lines of activity in which St. Louis can best interest itself, so far as its foreign trade potentialities are concerned. This bureau can then make a study of foreign market possibilities for the products which it has to offer for sale abroad, and also the ways and means of getting these products effectively to those markets.



The question of utilizing the Mississippi River and Panama Canal in connection with Oriental trade is one also of which the bureau might make a thorough study. Furthermore, the articles produced in foreign markets which can be advantageously imported into St. Louis and its vicinity, for use either in its factories or for consumption in other ways, should also be studied by this research bureau, so that St. Louis may effectively draw on the outside world for those raw materials.

In connection with this suggestion, I also enclose copies of a memorandum prepared for Mr. A.L. Wells, who is here in San Francisco at present organizing a foreign trade study club, and who has taken kindly to the suggestion in connection with the activities of clubs which he is organizing throughout the country for the study of foreign trade.

Very truly yours,



Commercial Attache

JHA:C

Enclosures: 3 copies Report "Improving American Trade with China",  
2 " Memo. "Suggested Research Bureau for Foreign  
Trade Clubs".



## IMPROVING AMERICAN TRADE WITH CHINA.

In considering the subject of American trade with China it is very necessary that we lay special emphasis upon the potentialities of this trade rather than to consider it in its present day aspect. Our trade with China today as compared with that with other countries is quite inconsiderable. China's total foreign trade is still much less than the foreign trade of many countries of considerably less population and area. It is because of this fact that American manufacturers have had their attention directed to the trade possibilities of South America and Australia rather than to China.

It is well, however, to bear in mind that China has a population ten times the aggregate of the whole of South America and that Japan has nearly twice the population of the aggregate of South America, while the population of Java is nearly the equal of that of South America. As compared with Australasia, Chinese population is probably fifty times as great, although in point of view of foreign trade Australasia claims today fifty times the per capita foreign trade that can be credited to China. China can boast of upwards of one-third the population of Asia, the aggregate of which comprises about 55% of the population of the earth. In area China has about one-third again as much as the United States and has a population nearly four times as great.

Although the country can boast of a history dating back five thousand years, yet it is only within the last few decades that its relations with the West have assumed any position of importance. Up to the beginning of the twentieth century, the eyes of the Chinese people had been glued to the past. The people took no cognizance of the scientific developments of the



past few centuries and the beginning of the twentieth century found them still living in a middle age civilization. The intellect of the nation was cast in a mould by the educational system devised to meet the needs of the civil service examinations based upon the classics. It was only in the year 1905 that China, by imperial edict, abolished this form of civil service examination and formally gave notice to the world that it took cognizance of Western science and western methods.

Japan, China's Oriental neighbor, is from thirty to forty years in advance of China in this connection and her marvelous industrial and economic development during the past forty years reflect very substantially the results of Western influence in that country. The wonderful advances made by Japan during the last few decades may serve as an index to the potentialities of the new China. Japan's foreign trade has increased during the past thirty years from \$40,000,000. to \$800,000,000. -- that is, about twenty fold. Thirty years ago Japan was an unknown quantity on the Trans-Pacific shipping trade. Today she controls 60% of this trade with a large mercantile marine built in her own shipyards. Thirty years ago Japan had but 50,000 workmen in its factories. Today modern industrial plants in that country employ 1,000,000 factory hands, with an annual output aggregating \$500,000,000. In the textile industries the modern spinning and weaving mills are employing about 500,000 workers. Modern schools, colleges, hospitals and municipal utilities are found throughout Japan. When we note the marvelous strides which the Japanese people have made during the past thirty or forty years we are then in a position to realize the great potentialities possessed by China.



China is today at the inception of its modern development, and in point of comparison with the Japanese Empire the country possesses an area sixteen times as great and a population about seven times larger. Furthermore, China is probably several hundred fold richer in natural resources than is the Japanese Empire. Thus, in contemplating the development in store for China, we shall have to multiply the advances made by Japan during the past few decades ~~ten~~ or twenty times.

In spite of the fact that China has, during the past thirty years, suffered many dreadful catastrophes such as wars, floods, droughts, famines, epidemics, revolutions and rebellions, yet in spite of these unfavorable conditions, its foreign trade has increased from eighty million to six hundred million, or approximately seven fold. The resiliency of the Chinese people is proverbial and once the country is free from internal disturbances and catastrophes, commerce is bound to go forward with tremendous strides. Politically the new China is finding itself. The progressive element which stands in full tune with Western industrialism and Western methods is rapidly gaining control and we may expect within a few years to find that the country has worked out for itself an efficient administrative system designed to meet the needs of the new China.

In this connection, it must be borne in mind that the Chinese people are essentially peaceful, and that Chinese society is based upon the idea of peaceful settlement of disputes. No country has carried the idea of arbitration to a further degree than have the Chinese. It permeates the whole of their social life. Even during their rebellions and revolutions of recent years no foreigners lives were endangered and all foreign property losses were indemnified in full. Thus our people should realize that we have not in China and never will have what might be termed a second Mexico.



Furthermore, we should bear in mind that there is no indolent element in the population. The people are universally industrious. Thus we have the China of today, peace-loving, industrious and receptive to all that Western science and Western methods have to teach.

The new China, with a territory greater than that of the United States, with undeveloped mineral resources as rich as those of our own country, with but a few thousand miles of railways, and only at the inception of its factory age, stands out today as offering probably the greatest potentialities in the entire world in foreign trade possibilities for the United States. China has, so it is estimated, richer deposits in coal than has the United States, yet it is still today importing coal from Japan. China has iron, tin, lead, zinc, antimony, copper, quick-silver, etc., in great abundance, yet this wonderful wealth of mineral resources lies undeveloped and now, because of the receptive attitude of the Chinese people to things Western, ready to be opened for the benefit of the world.

China today has but 5,000 miles of railways as compared with 250,000 miles in the United States. The methods of transportation in the regions not favored with water-ways are, in spite of the low price of labor which commands an average of not more than 10¢ a day, very expensive. Railway transportation in the United States costs  $\frac{3}{4}$ ¢ a ton mile, whereas overland transportation in China on pack animals and human beings costs about ten times as much. Vast sections of densely populated areas in China are cut off from the outside world so far as commerce is concerned, because of lack of railway facilities. There are regions in West China



possessing populations of tens of millions where prices today are still those of a century ago; where eggs can be bought four for a cent and wheat at 25¢ a bushel, because of lack of means of transportation to establish markets for these native products in other sections of China or abroad. Industrial China is where England was probably a hundred years ago. Most of the industries are still of a crude household sort. The modern factory is only at the inception of its development. Although China is the third largest cotton producing country in the world, producing two and a half million bales a year, <sup>and</sup> is one of the largest cotton goods consuming countries in the world/possesses a wealth of cheap labor, yet today it imports \$50,000,000. worth of cotton yarn and \$80,000,000. worth of cotton cloth. China has today but one million spindles as compared with Japan's two and a half million, United States' 32 million and England's 50 million. It has only 4,500 modern looms as compared with Japan's 120,000. During the past thirty years Japan has witnessed <sup>with</sup> her industrial development an increase of 300% in cotton goods consumption. We may estimate that China with the same industrial development will also exhibit a like increase. The potentialities in the cotton industry in China are stupendous and we may expect within the next few decades that China will advance very materially both in the production and manufacture of cotton.

New China is also witnessing the introduction of steel plants, ship building works, electric light installations, flour mills, arsenals, albumen factories, rice machinery, tanneries, saw mills, smelting works, modern silk filatures, soap and candle factories, sugar mills, clothing factories, printing plants, railway shops, etc., etc. Thus the new China wants upwards of a hundred thousand miles of railways, machinery for the



development of mineral wealth as great as that of the United States, and equipments for modern factories and municipal utilities of all descriptions. In addition to this, the new China is developing a system of modern education which means school supplies, laboratory materials, surgical apparatus and appliances and building materials.

There are probably on the water-ways of China today as many boats as can be found in the rest of the world combined, but generally speaking, of small native type. China is sadly in need of a crude oil engine which can be used for water craft. The gasoline consuming engine, or the engine which must be primed on gasoline, is almost out of the question in connection with large market possibilities, owing to the fact that Gasoline is expensive and not readily obtainable there.

Thus there is hardly any line of manufactured materials which will not find in new China big market possibilities as the industrial development of the country progresses. Wages will increase and the standard of living correspondingly advance so that the wants of the people will increase, adding further to the potentialities in trade.

In order to develop these potentialities in transportation, mining and industrial activities, foreign capital, materials and skill must in a large way come to China's assistance. It is on account of this fact that the New China offers such marvelous possibilities to American trade. There is one very important asset which the American people possess in relation to their trade possibilities in China which, in my opinion, they do not appreciate. This is the friendship of the Chinese people. There are no foreigners who stand higher in the estimation of the people of China than do Americans and there are no



foreigners with whom they prefer more extensive business relations than they do with Americans. The United States has pursued, throughout its relations with China, a consistent policy of consideration for the welfare of the Chinese people. We have always respected their territorial integrity and have refused to allow our nationals to engage in the opium traffic. The United States has persistently and consistently supported the policy of the open door, of equal opportunity for trade in China, and lastly has returned a substantial portion of the Boxer indemnity to the Chinese people. In addition to these facts, the American people have always come to the support of China when famines, droughts and other national catastrophes have appealed to the philanthropy of the outside world.

We have in China an American missionary organization of about 3,000 persons, most of whom are graduates of American colleges. This means that we are spending in China probably as much as \$5,000,000. a year in missionary work, which represents more than 50% of the entire foreign Protestant missionary work in that country. We have probably four or five hundred American missionary physicians in China and probably as many as a thousand American teachers in missionary schools. The American missionary schools stand out as the pioneers of modern education and modern medical methods in China and today these schools and hospitals serve as models for the new China. The Rockefeller Foundation has within recent years interested itself in the encouragement of medical education in China in a very substantial way and in order to further its work in this direction, it is cooperating with the missionary, medical and hospital institutions there. The Y.M.C.A. is being developed under American auspices as we have as many



as sixty Americans actively interested in the development of the Y.M.C.A. in China. The President of the Chinese Republic is heartily in sympathy with this movement and is doing everything in his power to further it. The President of the Chinese Senate was last year the Secretary of the China National Y.M.C.A. Committee. Several American Universities are developing special missionary work in China in designated centers. For instance, Princeton University supports the Y.M.C.A. at Peking; Harvard University supports a medical school at Shanghai; Yale University supports a Yale Mission, Hospital and Medical School and educational work at Chengsha; Pennsylvania University supports medical work at one other center. A number of our American philanthropists have given liberally toward the construction of Y.M.C.A. and mission buildings.

In addition to these influences making for American prestige and American methods in China, the Chinese government retains a number of American advisors and a number of American teachers are to be found in Chinese schools. We have at Peking a Chinese college supported on the indemnity funds returned by the United States to the Chinese government and staffed with American teachers, for the purpose of training Chinese for matriculation in American universities. The Chinese government sends to the United States each year one hundred Chinese students to be educated in American colleges, under the support of the returned indemnity funds. There are at present about 1400 Chinese students in American colleges, representing the largest number of Chinese students sent to any Western country.

There are in China about 1500 Americans in the mercantile population, the Standard Oil Co. being the largest foreign organization actually in operation in China. This company carries about 200 Americans in its China organization. The British American Tobacco Co., essentially



American, so far as its activities in China are concerned, also carries a large number of Americans in its China work. The Singer Sewing Machine Co. has permeated the whole of China with its organization and has opened sewing schools throughout the trade centers of the country for the purpose of educating the people in the use of its machines.

Within the past two years there was organized at Shanghai an American Chamber of Commerce of China. There are about 160 American firms in China, so that this organization is backed by a large American mercantile community. There are also at Peking and Shanghai American University Clubs, embracing in their memberships Chinese graduates of American Universities as well as Americans. American missionaries and American merchants in China have built up for the American people a good name and have done much to perpetuate <sup>the</sup> friendly feeling which the Chinese have toward the United States and the American people. This asset, that is, the friendship of the Chinese people, is one which can mean much for American enterprise in a big way. In July last, in an interview with the President of the Chinese Republic, he informed me that China extends a specially cordial invitation to American capital, American materials and American skill in connection with the development of the new China. This means that our bankers, our manufacturers and our engineers should cooperate if we are to avail ourselves in a large way of the possibilities which China has to offer us. From a banking point of view, financial participation in the development of the new China should be especially attractive for the reason that in that country trade follows a loan.



If we would sell the Chinese railway materials and the rolling stock for their railways, we must loan the country the money for the construction of these railways and then we may also assist in their construction. If we are to sell China mining machinery, we must loan the money for the development of the mines, at the same time furnishing the engineering skill necessary to their proper development. This will also accord us the opportunity of securing prior claim on the ores which China will have to sell to the outside world. This should be especially inviting as China possesses a wonderful wealth of tin ore which is badly needed in this country, and also marvelous stores of antimony, copper, lead, zinc, coal, iron, quicksilver, etc. The purchase of these ores will also assist in building up industries in the United States and in filling our ships going to China on their home voyages.

Along industrial lines China needs hydro-electric and other electric power plants, but the assistance of foreign capital is also desirable in this connection. Tramways, telephones, telegraphs (Importations of electric materials and findings into China amounts to nearly two million dollars a year), shipbuilding plants and factories of all descriptions are among the country's needs, but the materials for this will largely be furnished by those who are ready to assist in financing them. With the wonderful asset which the American people possess in the friendship of the Chinese people, we are in a position to participate to a very large extent in connection with financing the new China, especially so, considering the fact that the European war has placed us in the category of credit nations.

In connection with extending financial assistance to China, it must also be borne in mind that the Chinese people have never in their



history repudiated a foreign obligation, and generally speaking the

Chinese people possess a high sense of commercial honor. Chinese debts

do not aggregate more than eight hundred million to a billion dollars,

probably less than the outstanding obligations of the City of New York.

Considering the wonderfully rich resources of China, the size of its

country, its dense, peace-loving and industrious population, its indebt-

edness is indeed small.

In this connection we should also bear in mind that Americans

and American interests in China are under the jurisdiction and protection

of American law and American courts, and furthermore that when an American

sues a Chinese, American consular officials are entitled to have their

representatives present at the trial. Thus, extra-territoriality gives

us a uniquely strong position in connection with our interests in China.

As stated above, even during its revolutions and rebellions, China met

all foreign obligations fully and foreign lives and foreign interests

were thoroughly protected during these times.

As for present day trade in China, the imports net about \$1.00

per capita and the exports are slightly less. In imports the principal

item is cotton goods. The country imports annually \$50,000,000. of

cotton yarn and \$80,000,000. of cotton cloth. Cotton yarn is furnished

mostly by India and Japan, while over 50% of the cotton cloth is manufactured

in England. American trade in cotton cloth has decreased in China owing

to the fact that Japanese manufactured sheetings and drills have ousted

American products from the markets of Manchuria. The American manufacturer

should, however, be able to compete effectively in China with Great Britain



in white and gray shirtings and in Italians and poplins. To do this, they must manufacture their goods to meet the Chinese market conditions and not expect the Chinese people to be satisfied with taking the surplus of our mills.

Next after cotton goods, the principal article of import falls under the head of steel and metal products. Chinese industrial developments are lending an ever increasing impetus to the importation of machinery and metal products. China offers today a splendid field for a large American hardware jobbing house in its commercial metropolis, Shanghai. The fact that the Yale Lock Co. is finding an extensive market in China for its high class goods indicates clearly that even though it is a low purchasing power country, there is much wealth there and quality holds a place. The fact also that the Singer Sewing Machine Co. sells many tens of thousands of its machines each year in China is also indicative of the fact that we misjudge the market if we consider the people too poor to buy sewing machines. Naturally, the Singer Sewing Machine Company has learned to adapt itself to the credit conditions obtaining in that market and is working energetically toward increasing its business in what it considers one of the most promising markets in the world.

In drugs, chemicals and dyes, China is taking larger quantities each year. A large American jobbing house in drugs, chemicals, surgical apparatus, sanitary appliances, etc., would find good opportunities at Shanghai as a distributing center for the whole of China. This is especially true since the inauguration of the Rockefeller Foundation plans, in the encouragement of medical education in China, which means the building and equipping of hospitals and medical schools and also the development of modern



sanitation. Prior to the outbreak of the European war, China imported each year about \$7,000,000. worth of synthetic indigo and \$3,000,000. worth of aniline dyes from Germany. This trade was a growing one and in another decade the figures will probably double.

China takes each year about \$10,000,000. worth of American kerosene. The Standard Oil Co. has been 'spreading the light' so effectively throughout the country that its products are to be obtained wherever transportation facilities will permit. Flour and lumber at one time occupied important places in the American trade with China, but since the European war the freight rates on the Pacific, which have advanced about 500%, have practically driven these bulky materials from the China market. Although the modern flour milling industry has been developing rapidly in China during the last decade and will continue to develop, yet for many years to come China will offer a considerable market to American flour, provided conditions resume the same levels which characterized them prior to the outbreak of the war. China's hills and mountains are denuded of trees for the most part, and although they retain the services of an American forester to assist in the organization of afforestation work, it will be many years before the country will be able to supply its own needs, and even though the Philippine Islands, Manchuria and Formosa supply considerable of China's lumber, yet if freight rates resume anything like the levels which obtained before the war, American lumber will find a place again in China.

Development of the modern newspaper in China is very recent. Modern text books have also appeared as a recent innovation. This means the creation of large markets in China for paper, as both rags and wood



pulp are scarce, and it appears that China will be in the market for paper for many years in an increasingly larger way. They now import annually about four million dollars worth.

Watches, clocks, jewelry and notions continue to form important items in Chinese import trade and the demand for these materials will increase from year to year. Toilet articles, soaps (soap importations are annually about \$2,000,000.), tooth powders, perfumes, cosmetics, and patent medicines aggregate a considerable sum in China's list of imports. Chinese people take good care of their teeth and tooth powders are extensively sold throughout the country. Gramophones, musical instruments, automobiles, photographers' materials, are also looming larger in their relative importance in the list of articles imported from abroad. The cutting of the queue in China has popularized foreign hats so that both hats and caps are sold in large quantities. In this connection I might also mention that there is an encouragingly larger market for foreign shoes, as the Chinese are finding that western methods mean greater activity and therefore demand a better wearing shoe than they have been accustomed to in the past. For this reason the opportunity for the sale of medium priced foreign shoes is becoming better each year. In hosiery, China imports over a million and a half dozen each year, also large quantities of men's garters. The foreign goods shops carry on their shelves foreign tinned biscuits, candies, confections, tinned milks and tinned fruits. China has developed no dairy interests, as the Chinese cow is not a milch cow. People have not been accustomed to butter, milk or cheese. While they seem to get along very well without butter or cheese, they are consuming condensed milk in encouragingly larger



quantities from year to year. The country imports now about six million tins of condensed milk each year.

One of the important items in connection with Chinese imports is dried fish and fishery products, netting annually ten million dollars. Salted herring and shell fish from the Pacific Coast are considerable items in this connection. It might be said that the Chinese people are a fish eating rather than a meat eating people.

There are many other items which figure quite prominently in China's list of imports and a full list of these can be obtained from our special commerce reports covering China. It must always be borne in mind, however, that the list of imports for today should be taken as merely indicative of the tendency for the future. While China's aggregate imports have increased seven fold during the past thirty years, the new developments in the country promise far greater increase in the future.

#### EXPORTS:

We all of us recognize the fact that in its final analysis, international trade is barter. We cannot expect a country to carry a considerable list of imports and have no exports with which to balance its trade. In fact the greater its exports, the greater its import potentialities. China offers us a very rich market from which to purchase raw materials, for the reason that it is a cheap producing country, and in selling to us sells to a high purchasing power people.

In point of value, silk forms the leading item of exportation. The United States imports annually \$150,000,000. worth of raw silk. Only about ten per cent of this comes from China, not because the Chinese silk is inferior, but because the Chinese have not learned to



skein their silk in a way suited to the American looms. By the encouragement of a different method of skeining, we would be instrumental in increasing China's imports of silk to this country, thus helping ourselves and also assisting the Chinese in that we would increase their purchasing power for other other articles.

Next in importance comes tea. Importations of China's tea in the United States have not increased in quantity over several decades, although the per capita consumption of tea in the United States remains about the same from year to year, which with our increasing population means increased consumption. This increase has been taken up mainly by India and Ceylon. Like silk, the quality of China tea is very high and it is due to lack of enterprise in marketing and advertising that the China tea has not found a more extensive market in this country. With the temperance agitation so general, the United States should offer increased opportunities for consumption of teas, and with more enterprise in business methods in connection with this industry, the importations of this article could be increased considerably.

Third in importance in the list of Chinese exports come beans bean products (bean cake and oil), the aggregate of these amounting to about \$17,000,000. annually. The United States is becoming an important factor in connection with this trade and beans are used in this country for oil for soap, the refuse being taken for cattle food.

Fourth in importance are raw skins and hides, aggregating about \$15,000,000. During the year 1915, of the 8,000,000 goat skins exported from China, the United States took over 80%. Probably as much as 75% of all the hides exported from China within the past few years



have come to the United States. In 1915 China exported about ten million dollars worth of cow hides. In this connection it would seem that the tannery industry would offer very splendid opportunities in China. Some overtures in the direction of an American tannery have been made, but as yet without substantial results.

China is an important factor in the exportation of raw cotton, sending out annually nearly ten million dollars worth of this product, the United States taking nearly \$2,000,000. of the short staple cotton for use in the manufacture of blankets. During the year 1915 exportations of sheeps' wool from China aggregated nearly \$7,000,000. in value. Another article of importance in the list is sesamum seeds used in the manufacture of sesamum seed oil, a high grade cooking oil. China exported in 1915 nearly \$6,000,000. worth of this product. Nearly 9,000 tons of tin, valued at \$5,500,000. were exported from China during 1915, and 25,000 tons of antimony regulus valued at nearly three million dollars. Under ordinary conditions antimony is used for the manufacture of type metal, but during the war has formed an important product in the manufacture of munitions. China has come to the front in recent years in the exportation of eggs and egg products. In 1915 it exported three million dollars worth of albumen and yolk and one and a half million dollars worth of fresh and preserved eggs. Pigs' bristles to the extent of nearly \$3,000,000. (about 8,000,000 pounds) were exported during 1915. Some twenty years ago an American missionary carried to China a quart of American peanuts for seeds, which he distributed among his converts. As the result



thereof, today China exports annually over a hundred thousand tons of this product in the form of nuts and oil. Beef, mutton, poultry and game are now being exported from China in fresh and frozen condition in considerable quantities. Refrigerator steamers are handling these products and the aggregate exportation from the country nets more than three million dollars in value. Of the \$2,000,000. worth of wood oil exported from China each year, over half comes to the United States for use in the manufacture of varnish. Straw braid to the value of \$2,000,000. a year goes to foreign countries, a large amount coming to the United States. Vegetable tallow aggregating more than a million dollars in value is exported annually. A considerable quantity comes to the United States for use in the manufacture of high grade toilet articles, soaps and face creams. Chinaware continues to be exported in large quantities, the figures for 1915 showing that \$1,500,000. of this product was sent abroad. An article which finds very little use in China and which is now being exported in considerable quantities is feathers. Sheep and camels wool rugs are being shipped out in increasing quantities each year, especially since the outbreak of the European war, for the American market, to take the place of Persian rugs, the supply of which has been cut off by the war. Chinese works of art and curios have within recent years found a large market in the United States, so that the big American department stores have their buyers in Chinese centers to supply the demands which have recently developed here. Many other products enter the list of Chinese exports.

Prior to the outbreak of the European war, probably 75% of direct exports,--that is, not by Chinese firms in China,-- but through foreign firms in China. This is true of both import and export trade. Chinese have



of China's exports to the United States, with the exception of tea, and silk, was handled through German firms. Owing to the operation of the British enemy trading regulations in China, these German firms have been obliged to discontinue this business as they have had to depend upon allied shipping and banking facilities, and these have been denied them. This offered a splendid opportunity to American firms to take over a considerable portion of this trade. But the lack of American ships on the Pacific and the lack of adequate American banking facilities in China militated against any considerable activity in this direction. American participation in this trade was also assisted by the anti-Japanese boycott which developed in China a few months after the outbreak of the war, but the withdrawal of the American flag from the Pacific about that time made it extremely difficult for the Americans to take advantage of this exceptional opportunity offered them, not only in connection with the export trade from China but also in furnishing China goods which, prior to the outbreak of the war, were furnished by the belligerent countries, including Japan. Had we had ships on the Pacific after the outbreak of the war in large enough numbers to handle the trade which offered itself in that section of the world, we would today be in the position of commanding the China market. Not one factor would have done more toward assisting in the building up of our trade in China during the exceptional opportunities offered by the war, than sufficient tonnage under the American flag to handle this trade. It must be borne in mind that China's foreign trade is handled not by direct means,--that is, not by Chinese firms in China,-- but through foreign firms in China. This is true of both import and export trade. Chinese have



not yet learned how to do a direct trade with foreign countries, but still depend upon foreign concerns in China for this business. We have been developing, during the past few years, a number of very strong American firms in China, capable of handling the American trade, but these firms must have American ships and American banks to make any considerable advance in our trade with that country.

The Panama Canal has assisted the United States very materially in connection with its potentialities in China trade, as it has placed the Gulf and Atlantic ports on the Pacific to all intents and purposes in connection with trade possibilities in the Orient. Unfortunately, the Atlantic and Gulf ports are not yet alive to the advantages which the Canal gives them. New Orleans is particularly well favored in this connection, but seems to be quite asleep as to its potentialities in connection with the development of trade with the Orient. St. Louis shows a very commendable spirit in connection with its possibilities in the development of the all-water route to the Orient through the Mississippi River and the Panama Canal. China's iron, tin, antimony and other ores and its hides, wool, furs and other raw materials should find big market possibilities in St. Louis, thus bringing ships which would carry the products of the Mississippi Valley to China back from that country filled with raw materials for the use of factories in the interior. But any American city or community such as St. Louis, for instance, to take advantage of the opportunities which the Orient has to offer, must study the conditions obtaining in that section of the world. Those communities should create in their midst research bureaus for the study of the trade possibilities which their communities offer in connection with the Oriental markets.



for the purpose of assisting with commercial organizations and associations.  
St. Louis, for instance, might well establish at the Washington  
University a commercial research bureau which might well make a survey of  
the manufactures of St. Louis and its neighboring country, with the idea  
of ascertaining just what products it has to offer for sale abroad. At  
the same time, a complete survey should be taken of the trade potentialities  
of China, Japan and the Philippine Islands to ascertain what of St. Louis  
Products these markets could take, how they might best be prepared for  
that market, methods of shipping and financing and the competition which  
they would have to meet. They should also make a study of the raw  
materials which China and the rest of the Orient has to offer the West,  
so that ships carrying goods from St. Louis to the Orient might find  
materials to serve as ballast on the return tour. The questions of  
Mississippi River transportation, banking facilities, credits, trans-  
Pacific shipping, marketing methods, agencies, etc., etc., should be  
studied carefully by such a bureau for the benefit of the community  
concerned. This method is recommended as being one adapted to the peculiar  
needs of any particular community, as each community has its own individual  
features and should study its foreign trade potentialities in connection  
with these particular features.

The Bureau of Foreign and Domestic Commerce at Washington and  
our other government agencies could naturally be of great assistance in  
the language of the Orient and is coming to occupy a more important  
connection with the work of such a bureau. The local Chamber of Commerce  
would naturally act as a medium for the transmission of information which  
the bureau would have to offer to the manufacturing and mercantile  
interests of that particular community.

In traveling about the United States on a five months tour  
it is necessary for us to build up our own organization



for the purpose of meeting with commercial organizations and manufacturers to further our trade interests in the Orient, I found that there is a very wide interest in the possibilities of South America. So much so, that almost every community has created facilities for the study of the Spanish language for the direct purpose of furthering trade relations with South American countries. While the people as a whole seem to have their minds open to suggestions for foreign trade, very little attention has thus far been given in a general way to the potentialities of the Orient. People have failed to appreciate the fact that over 50% of the world's population is centered in Asia, and that since China is now in a receptive mood toward western ideas, methods and materials, the great potentialities of the future, so far as our trade is concerned, lie not in South America but across the Pacific. We are, however, doing very little by way of preparing ourselves to take advantage of the marvelous trade possibilities which are to offer themselves there. Every mail which came to my office from the United States during the past year or so brought in American trade catalogues printed in Spanish, evidently sent with the idea that the whole non-European foreign world was Spanish speaking. This is clearly indicative of the fact that we are failing to take cognizance of special considerations which the China market demands. Next after Chinese, English is the language of the Orient and is coming to occupy a more important position each year in a commercial way in that section of the world. The fact remains, however, that Chinese will always be the language of China and that if we would make any considerable impression upon that market and become a factor in a large way in connection with its possibilities, it will be necessary for us to build up our own organiza-



tions in China, staffed with Americans familiar with China's language, customs and civilization. For this reason, we should without further delay, encourage in every way possible the study of Chinese geography, history, commerce and language in the colleges of the United States. We should place Chinese history and geography on a basis of equality in our high schools with the study of Greek and Roman history and civilization. We should come to a realization of the fact that the United States is a Pacific power and that its great and grandest future lies across the Pacific rather than across the Atlantic. For this reason we should attempt to see the Orient across the Pacific direct rather than through the eyes of Europe as we have been doing in the past. To do this, we must bring the Orient to our own country and learn to know the Chinese and Japanese people at least as well as they know us. This means that a considerable number of our people must learn their language.

Chinese language is not as difficult as the people in America seem to imagine. The Chinese people have a common written language and three-fifths of the people use the same spoken language. While it would seem difficult to learn spoken Chinese in this country, yet considerable can be done by acquiring a knowledge of the written characters which would be extremely valuable to Americans going to China to engage in business there. The time is rapidly passing when foreign firms will depend wholly upon Chinese Compradors and interpreters in their relations with the Chinese business public. We must educate a number of our young men in Chinese if we would extend our trade influences in China in a way commensurate with the potentialities which that field has to offer.



Our chambers of commerce and other commercial organizations throughout the country should encourage in every way possible the illustrated lecture method of bringing China to America, by sending properly equipped lecturers around the country to address the students in our schools and colleges, at the same time using moving picture films and lantern slides to supplement their talks. A number of booklets descriptive of the various phases of the life and the conditions obtaining in China should be edited by competent persons for the use of the manufacturing and business public, as well as for the schools and colleges of our country. Our colleges should also be encouraged to grant traveling fellowships to worthy students in connection with research work in China and the rest of the Orient. Essays and debates on subjects pertaining to this should be encouraged throughout our colleges and secondary schools on the basis of the prize method. Our chambers of commerce, or probably better yet, groups of manufacturers would do well to send representative commissions to China to come in close contact with the people and to learn to know conditions at first hand for the communities or interests which they represent.

It must be borne in mind that business in China is done over the tea cup rather than over the telephone and that if we are to make any substantial advances in connection with our trade possibilities in that country, our people must go to China, build up their organizations there and do their business in personal contact with the Chinese people. We have developed domestic trade in this country in a very intensive way. Our manufacturers display with a great deal of pride maps of the United States on the walls of their offices, covered with vari-colored pegs indicating the territories covered by their various



China of twenty years hence, we should today establish our standards representatives. Very few of our manufacturers are showing maps of the world in the same way. It is time now that we were replacing these maps of the United States with maps of the world and extending these vari-colored pegs across to the East, and until we are ready to do so and to bring our own representatives into direct contact with the peoples of the outside world, especially in China, we will not be prepared to participate in a large way in the trade possibilities of these sections. The American Chamber of Commerce at Shanghai is prepared to be of assistance to American commercial organizations and communities desirous of effecting closer relations with China, and chambers of commerce should take advantage of the assistance which these organizations can give them. Another means of assisting our trade position in China is by doing everything possible to encourage Chinese students to enter our universities, and to secure practical training after their theoretical courses, in our mines and factories. These men will go back to China imbued with American ideas, methods and standards and do a very valuable work in connection with furthering our interests there. Thus we should make it a point to assist in every possible way Chinese students who come to this country to complete their education. We should try to have them spread, as well as possible, over the country and to see that each educational center secures its just quota.

One great fact which should always be foremost in our minds in connection with the development of the potentialities in the trade of China is that the standards and trade marks which are established at the inception of the development of the new China will occupy a strong position in the future trade of that country. If we want to sell our goods in the



China of twenty years hence, we should today establish our standards and trade marks in that country for it will be much easier to sell these goods by so doing than otherwise. The Chinese people have a wonderful respect for trademarks, and standards once established are hard to overcome, so that while the European war is on and our trade opportunity in that section of the world is particularly good, we should make every effort to have our trade marks, our materials and our standards established in a way so that the new China will come to know them as the goods which it wants.

So far as the United States Government is concerned, American trade interests in China can be assisted very materially by the purchase of property for our consulates throughout the treaty ports of that country. We are especially in need of government owned buildings at Canton, Hankow and Tientsin.

At Canton the need is<sup>a</sup> very crying one. There we occupy rented quarters which we are liable to be required to vacate on very short notice and which may throw us in the embarrassing position of having to open our offices in a very inferior hotel. Our first consul at Canton was commissioned by George Washington. In the meanwhile, Great Britain, France, Russia, Germany and Japan have all acquired property at Canton and erected buildings thereon to serve as their consulates, while the United States, which in many ways is the most important consulate in that section, as the bulk of Chinese who come to this country are from Canton, and we have always had a large trade from that section of China, is still without government owned premises and still in a position of being subject to dispossession at any time. These premises which



we now occupy are such that a married man with a family could not accept the post of Consul-General to Canton and take his family there with him. The other governments which maintain consulates at that port provide quarters for the consuls and their families, but it is only possible for a bachelor or a married man without a family to occupy the present quarters rented by the United States Government for its consulate at that port.

While conditions at Hankow and Tientsin are not so pressing, yet it is very desirable that we have government owned premises at these very important Chinese centers of trade. Fortunately Congress, during its last session, made provision for the purchase of the property at Shanghai and undoubtedly before many years we will have a proper consular building erected on that favorable site.

In connection with the subject of buildings for our consular officials in China, Americans should remember that owing to our extra-territoriality relations with that country, our consulates in China occupy a relatively more important position than in most other countries, as the American consul in China has jurisdiction over the nationals in his district and also takes on certain diplomatic offices in connection with his work. Furthermore, his position in the community in which he resides is attendant with more significance and respect and for this reason with more effectiveness than in a country where ~~extraterritoriality~~ does not obtain.



We are training at Peking a corp of student interpreters for special service in China, aiming eventually to man our consulates in that country with men trained in the language and customs of China. This system is working out in a very effective way and promises much for the future in our relations with that country. Young men sent to Peking as student interpreters are, generally speaking, graduates from our universities. Unfortunately, but few of them have had any actual business experience. It would seem that our trade interests with China would be greatly benefited if some system were devised whereby the student interpreters, after four years residence in China, were brought back to the United States for a year's training with American mercantile concerns, such as banks, shipping companies and export and import firms. By so doing, we would bring our young men who are being trained for the consular service in China into close touch with our commercial life and make their services to our trade interests far more valuable thereby. This suggestion has been criticised for the reason that men so trained would be sought after by American firms operating in China, as they would become so valuable because of the peculiar character of the training which would be accorded them that the United States would lose their service in the consular field. It is quite possible that offers would be made to men thus trained which would be financially more remunerative than the possibilities in our consular service, and some of the men would be tempted to leave on this account. Even suppose a number did take positions with American firms in China, our interests in that country would be benefited thereby and the United



States would profit indirectly by training young men for such work. I believe, however, that a sufficiently large number would be so interested in the peculiar character of our consular work in China as to prefer to remain with the service rather than accept positions with mercantile concerns. This is the kind of man that is particularly valuable to the consular service and it would pay the United States Government to inaugurate a system which would tend to weed out any others; that is, to secure opportunities in mercantile lines for those who have particular leanings in that direction. Thus, I believe a supplementary commercial training, as suggested above, would make our consular service in China many fold more effective than under the present arrangement. An important position in his relation to his legation and the Chinese Government and can be of considerable assistance to both, especially

The work of the Commercial Attache to China could be made far more effective and produce much better results for the manufacturers and merchants of this country if the Government would make provision for a proper building for this official at the Legation at Peking, in connection with the buildings already owned there by the United States Government for legation purposes. This official's work could also be rendered far more valuable by an appropriation which would allow of sufficient clerical hire to do the work which lies within the range of possibilities for such an official. We should be training at the offices of the Commercial Attache at Peking, two assistants, one for duty at Shanghai and the other for assistance in the general work at Peking. In addition to this, the office should be in a position to avail itself of the valuable services of Chinese clerks and interpreters.



As in business life, so in official life in China, more is accomplished over the tea cup than over the telephone, so that the Commercial Attache at Peking finds it necessary to cultivate the friendship of the Chinese people, which necessitates his entertaining them, and to do so he should have quarters which would be a credit to his country and place him in a position to entertain the Chinese official and business public respectably.

The Commercial Attache to China can perform a very important service in connection with co-ordinating the work of our consuls in that country. His office should be a clearing-house for authentic information in regard to trade conditions in China. He also occupies an important position in his relation to his legation and the Chinese Government and can be of considerable assistance to both, especially so, considering the fact that China is now at the inception of a vast development based upon Western ideas and methods. Thus it will assist American trade interests in China if the Commercial Attache's office is equipped in such a manner that he can take advantage of the peculiar opportunities which China offers for the work of such an office.

There is still one other important condition in connection with improving our trade relations with China, which should have our very serious consideration; that is, the possession by the American people of the Philippine Islands. We seem to have failed utterly to appreciate the advantages which come to us in connection with trade developments in the Orient through this source. There is probably no example in the entire history of the world where one nation has acted the big brother in a bigger-hearted way than has the United States



in its relations with the Philippine people. We are performing in these Islands a missionary work on a huge scale, of which our people may well be proud. We have created in the Philippine Islands a training school in self-government which is serving as a beacon-light for the whole of the Orient. We are giving the Philippine people a system of elementary public school instruction which is undoubtedly superior to that anywhere else in the world. Railroads, sanitation, good roads, municipal utilities, hospitals and other instruments of modern civilization are being given to the Philippine people by the United States Government in a large and thorough manner. The proximity of the Philippine Islands to the rest of the Orient makes it possible to use a commercial city like Manila as a distributing center for the whole of Asia. We should make Manila a free port in the same sense in which Hong Kong is a free port, and encourage Americans and others to use this great Oriental port as a distributing center for the whole of the Orient. This is an opportunity which we are overlooking and one which might mean much to us in our relations with the development of our trade in China and the rest of Asia.

Thus it is recommended in the interests of our trade relations with China:

- 1st. That American loans to China and the sale of American securities in this market be encouraged.
- 2nd. That better American shipping facilities be created for trans-Pacific trade.
- 3rd. That better American banking facilities be developed in China.



4th. That American manufacturing communities establish research  
bureaus for the survey of their own manufactures and the  
possibilities of their trade in China and the best methods  
of reaching this trade.

5th. That our commercial organizations encourage a campaign of  
education designed to bring the East to the West.

- a. By creating Oriental language departments in  
our Universities,
- b. By encouraging the study of Oriental history and geography  
in our high schools,
- c. By traveling fellowships for research work in the  
Orient,
- d. By illustrated lectures by competent persons among  
our secondary school students and in commercial  
schools,

6th. That our manufacturers and merchants be encouraged to  
replace maps of the United States with maps of the world  
in connection with their trade extension work.

7th. That the cities and ports of the Gulf, Mississippi River  
and Atlantic be encouraged to realize the significance of  
the Panama Canal in water transportation to the Orient.

8th. That Chambers of Commerce and other commercial and industrial  
bodies send commissions to China to study conditions at  
first hand.

9th. That Chinese students be encouraged to complete their  
education in our universities and to secure supplementary  
training in our mines and industrial plants.

10th. That student interpreters being trained in China, after



four years residence in that country, be brought back to the United States for supplemental training in commercial activities.

11th. That the United States Government purchase consulates at the ports of Hankow, Canton and Tientsin.

12th. That the United States Government increase the facilities for the work of the Commercial Attache to China and also secure the appointment of a Commercial Attache for Japan.

13th. That Manila be made a free port so as to develop it as a distributing center for the whole of the Orient.

14th. That commercial organizations in the United States cooperate with the American Chamber of Commerce at Shanghai and other American associations in China for the development of our trade interests in that country.

China offers big opportunities in big things for American trade, but in order to avail ourselves of these opportunities, we must go after this trade in the same intelligent way in which we have developed our domestic trade. That is, we must learn to know the country and the people and realize that the most effective way to make for big results in China is to go over there and build up our own organizations in the field, or at least work through American organizations already established.



or being developed, in China. In a word, we must know China if we are to become a factor in a large way in the trade development of that country.

*Julian Arnold*

Commercial Attache to China.

San Francisco, Feb. 9, 1917. which may enter into the question of the community's foreign trade relations. All the details having to do with the development of import and export trade in connection with the products produced and consumed in the community as they relate to foreign trade transactions should be worked out by this bureau.

A foreign trade study club might constitute itself into a research bureau and designate certain of its members for certain phases of the research work. It might also lay out other plans, dividing the work into certain periods of activity in connection with its various phases. For instance, the research bureau might first plan a general survey for the manufacturers of a community and allot to each member of a club definite work in connection with this survey. After the survey has been completed, a second survey might be taken as to the articles imported into the community either for consumption or for use in manufactures. Following this, study might then be made as to the relations which the manufacturers of the district bear to the manufacture of similar articles in other parts of the country. Similarly, the articles of

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