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Subject: CHINA MARKET FOR MECHANICAL AND SOFT RUBBER GOODS.

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(NOTE: This report has been developed and amplified upon preliminary notes made by Trade Commissioner H.D.Robison prior to his departure from China.)

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The quality standard set by American and European manufacturers is so much higher than the market demands of this territory that the sale of mechanical rubber goods is thereby limited. The principal demand emanates from foreign engineering firms who are installing machinery or operating plants under their supervision, although some of the more modern Chinese industrial plants are gradually coming to appreciate the advantages of mechanical rubber equipment.

Rubber Hose: Purchases of rubber hose for railway and manufacturing enterprises in China is usually upon a price basis, little, if any, consideration being paid to particular specifications for specific kinds of uses. As illustrative, ordinary rubber hose has oftimes been purchased because of its cheapness, for use as air brake hose. Japan has previously dominated the rubber hose market in China on account of price, but due to the boycott which has more or less existed against Japanese goods, American products have for the past year or so enjoyed some of the business. Generally speaking Japanese-made rubber hose is inferior in quality to standard American specifications.

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Rubber Belting: The market for rubber belting is slowly increasing, especially in the better operated industrial plants where rubber belting has in some instances replaced leather belting. The largest imports of this commodity into Shanghai are from Japan. There are three classes of rubber belting coming from Japan, (1) that manufactured by the British Dunlop plants; (2) American

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Goodrich plants and goods manufactured by Japanese companies. Suppliers of belting made in Japan are frequently in a position to offer rubber belting on this market at 40% under the price of American made belting. The boycott against Japanese made goods has materially effected their sales, but there is still a considerable quantity of Goodrich and Dunlop products, made in Japan, that are being marketed on the China market without difficulty. American rubber belting has been sold into this market to the better class of trade, both on account of quality as well as the fact that it was from a non-Japanese source of supply. The Singapore Rubber Works, a Dutch concern, offers perhaps the nearest competition to the Japanese belting. This concern can compete with the Japanese when the yen is at par but at the present time they have been out of the market. Cheaper grades of belting are generally sold to the hardware dealers who in turn retail it to the various factories and industrial plants. Very few of the Chinese industrial plants keep any record as to the life of belting and leave their purchases primarily to their fitters.

Belting manufacturers in Great Britain and American refuse to lower their standards and therefore can only sell to the limited groups of industrialists who demand quality product. United States manufacturers secure the majority of the business in the better quality of rubber belting.

Packing and Gaskets: The market for mechanical rubber packings and gaskets is very small and the volume of business has not run into any money. Many of the small factories buy rubber sheeting and make their own gaskets and packings.

Rubber Insulation Tape: The market for rubber electrical insulation tape is entirely dominated by the Japanese.

Mats and Matting: The market for rubber mats and matting has not been developed in China. There is some interest being shown at the present time. However, buyers have so many individual ideas of designs that the volume of this business will remain small for some time.

Rubber Flooring: Rubber flooring laid in concrete has been utilized in the Shanghai market only to a very slight extent. Some use of such flooring has been made in one or two of the principal hospitals, but suppliers have found it exceptionally difficult to get this product properly laid as there are no qualified people to undertake the work. In the opinion of some persons, such rubber flooring as has been laid in concrete, has not been very successful owing to the extreme climatic conditions which prevail in this area. The Singapore Rubber Works manufacture a rubber flooring which has an asbestos base with a vulcanized rubber upper. This concern has only recently attempted to market this product, and are said to be having considerable difficulty in doing so, as local architects do not favor rubber flooring for a semi-tropical climate.

Rubber Paving: Generally speaking, the rubber paving blocks are too expensive for this market. The Singapore Rubber Works have sold the Shanghai Municipal Council a small supply of such blocks which have been used for traffic marking purposes.

Rubber Gloves: Gloves for the use of electrical workers are usually imported by the large engineering concerns handling electrical supplies or installing electrical equipment. Local importers do not carry stocks.

Plumbers Goods: A considerable amount of the rubber goods that are used by plumbing concerns are manufactured locally in Shanghai. These articles are usually very crude, but are generally considered to meet the market needs.

Competition: British, American and German manufacturers offer little competition in the mechanical rubber goods field in China. The standards set by these manufacturers generally are so high that the prices are not competitive for the China demand. American and British rubber companies which have plants in Japan secure a large share of the mechanical rubber goods trade. Their chief competition is from the Singapore Rubber Works (Dutch), which organization maintains a branch at Shanghai where stocks are carried. The Dunlop Rubber Company

is the largest factor in the mechanical rubber goods market at Shanghai. At the present time with the low value of the Yen they can undersell all other competitors.

Trade Terms: Terms vary from 60 to 120 days. Some local rubber companies endeavor to hold terms to a 30 days' credit basis, but in reality this works out to be a 50 days' credit. Sales made on a 30 day credit basis are taken up at the end of the period with a twenty day native order on the compradore, which in effect extends the terms by just this much.

SOFT GOODS AND SUNDRIES

Hot Water Bottles: The largest market for hot water bottles in China is from Shanghai north and in the Yangtze Valley. This market consumes between 75,000 and 100,000 hot water bottles yearly. The demand for hot water bottles in North China is not very large and mostly confined to therapeutic uses. In the colder sections of China the hot water bottle has been widely adopted for use in carrying as a hand warmer by Chinese women. The most popular size in hand warmers is the "baby" size which holds about one pint of water. The next popular sizes are the quart and two quarts. These are used as bed warmers and therapeutic purposes.

Chinese competition has cut into the important market for hot water bottles resulting in a steady decrease on imported lines. Seven Chinese factories are now producing an aggregate of 100,000 hot water bags annually. The present prices of baby sized Chinese-made hot water bottles average around Tls. 1½ a dozen at the factory. (Tls. 1.00 = U.S.$0.40). Four sizes however are being produced. Importers of rubber goods sundries report that there is a sale for the better class merchandise amongst foreigners and the wealthier Chinese. However, the volume of sales must be made to people whose incomes are on an extremely low standard and unless imported hot water bottles can be priced within 15% of the local product, they cannot hope to secure any great volume of sales.

Syringes: A limited market for various types of molded rubber syringes

existy supplies coming from sources without China. Before the boycott, Japan supplied about 50% of this type of goods. Local factories do not manufacture syringes of any type.

Bathing Caps: So far the Chinese factories have not made a successful bathing cap and the market for this type of rubber goods is second to that of hot water bottles. However, because of the lack of bathing beaches and swimming pools the demand is not as great as it is in other countries and the low prices at which bathing caps are offered makes the value of total imports extremely low. There are various types of bathing caps on the market, the majority of which come from the United States.

LOCAL MANUFACTURE OF RUBBER GOODS

The center of the rubber goods industry of China is Shanghai, Canton ranking second in importance. This industry suffered greatly from the Sino-Japanese hostilities of 1932. Out of a total of 48 factories estimated by Research Department of the Bank of China to be located in Shanghai at the end of 1931, thirty-three factories were situated in the affected regions of which eight plants were completely destroyed and unable to resume business. Twelve new factories, poorly equipped and,financed sprung up during 1933. A survey made by this same institution at the close of 1933 estimated that there were then fifty rubber factories in Shanghai, whose total value of production aggregated Taels 15,000,000. (U.S.$375,000 approximately).

The output of these plants has almost entirely been confined to rubber overshoes and canvas rubber shoes. Approximately seven small plants engage in the manufacture of hard or moulded goods. Their chief output has been: hot water bags, rubber toys, rubber soles and heels, printing machinery rubber rolls. One of the largest manufacturers of overshoes (Da Chang Hua) is reported to be entering on production of rubber gloves and medical tubing, with plans for making rubber raincoats in the future. A Japanese plant now in the course of remodeling, expects to manufacture moulded goods and linoleum.

The majority of these Chinese rubber plants were organized by Chinese companies with the technical assistance of Japanese. Most of the machinery installed was either built in Japan or duplicated in China from Japanese models. The most elemental type of plant equipment has been used. In one or two of the larger rubber shoe plants a few modern automatic type rubber mixers of German manufacture have been installed.

Two tragic explosions in rubber plants during February of this year, one in the International Settlement, and the second in the Chinese controlled are of Chapei, has stimulated the municipal authorities of the Shanghai Municipal Council to take steps to insure safety in the operation of rubber plants. Six plants were ordered to be closed on the ground of public safety, while close attention to electrical installation and other factors important in a fume process have been given close attention by Council officials.

IMPORTS OF MECHANICAL RUBBER GOODS INTO SHANGHAI
1930, 1931 and 1932

	HOSE		PACKING		SOLES AND HEELS		SHOES & OVER		OLD WASTE		OTHER KINDS		T O T A L		1932
	1930 Hk.Tls.	1931 Hk.Tls.	1930 Hk.Tls.	1931 Hk.Tls.	1930 Hk.Tls.	1931 Hk.Tls.	1930 Hk.Tls.	1931 Hk.Tls.	1930 Hk.Tls.	1931 Hk.Tls.	1930 Hk.Tls.	1931 Hk.Tls.	1930 Hk.Tls.	1931 Hk.Tls.	Gold Units
Hongkong	23	1,725	--	--	9,694	31,208	1,052	1,331	--	11,085	1,014	4,168	11,783	49,557	21,358
Japan	67,817	30,633	3,229	436	17,195	26,965	251,960	48,393	18,817	27,530	122,781	154,788	462,099	278,727	79,333
Straits	19,514	17,143	24	86	69,635	99,937	476,578	633,682	11,393	10,230	24,280	85,251	601,378	985,489	716,158
U. S. A.	22,935	11,668	14,427	12,631	7,413	15,149	3,496	909	18,814	73,798	73,346	98,178	140,431	212,631	163,950
Britain	6,671	4,921	299	164	6,344	247	19,235	3,638	2,083	--	17,608	39,494	52,240	48,484	
France	61	190	--	--	--	--	3,946	--	2,393	--	1,370	990	7,370	1,180	
Germany	865	--	--	--	--	--	439	852	1,075	--	34,355	52,562	36,734	53,414	
Italy	--	--	--	--	--	2,733	--	--	--	1,094	2,011	3,980	2,011	9,807	
Canada	26	--	--	--	--	--	--	--	--	--	14,419	5,971	14,445	5,971	
Netherland	--	--	--	--	--	--	1,548	--	--	--	78	114	1,626	114	189,807
Netherland India	--	--	--	--	--	--	7,940	7,106	--	--	--	--	7,940	7,106	
Austria	--	--	--	--	--	--	--	--	--	--	1,060	--	1,060	--	
Philippine	--	--	--	--	--	--	--	--	--	--	43	--	43	--	
India	--	--	--	--	--	--	--	--	--	--	--	1,121	--	1,121	
French Indo China	--	--	--	--	--	--	--	--	--	--	417	--	417	--	
TOTAL	77,892	66,278	17,979	13,349	110,361	176,359	766,248	896,051	54,575	123,757	292,312	377,537	1,319,367	1,653,301	1,169,096

1 Haikwan Tael = U.S.$0.46 in 1930
1 Haikwan Tael = U.S.$0.38 in 1931
1 Gold Unit = U.S.$0.40 (standard)

owing to a change in the commodity classifications made by the Customs during 1932 it is impossible to secure statistics for this year by the same categories as is noted in the above table for 1930 and 1931. The 1932 figures in the above table represent "rubber goods, not otherwise recorded".

IMPORTS INTO THE WHOLE OF CHINA
(Exclusive of Hongkong)

Rubber goods, not otherwise recorded were imported into China during 1932 to the value of 534,563 Gold Units (Haikwan Taels 669,519), with Shanghai ranking first in importance. It should be noted that the customs figures for 1932 include imports into Manchuria for the first six months of the year, but owing to the seizure of the Chinese Maritime Customs in that territory by outside influences, the customs figures do not include Manchurian imports for the last six months of the year.

Imports by Leading Ports	Value in Gold Units
Shanghai	307,022
Tientsin	77,624
Dairen	70,594
Canton	51,285
Tsingtao	10,736
Hankow	5,204

Imports by Country of origin	Value in Gold Units
France	2,658
Germany	92,008
Gt. Britain	52,115
Hong Kong	26,081
Italy	12,655
Japan	196,287
Straits Settlements	37,630
U. S. A.	137,799

DIVISION OF FOREIGN TRADE

Kwangtung Leased Terr.	1,278
Other Countries	6,633
Gross Imports	545,036
Re-exported Abroad	11,253
Net Imports	534,503

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Approved for Transmission:

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(This report has been prepared in response to requests from the Rubber Division for such information made under date of January 27 and February 1st respectively. Trade Commissioner Robison had secured certain data prior to his departure for America which he expected to develop into a report of this character. His rough notes have been used as a basis for the present compilation.)