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DOMESTIC COMMERCE

Subject: WHAT CHINA YIELDS IN PEACE AND IN WAR

Submitted by: Julean Arnold, Commercial Attache.

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Attached hereto is my 23 page report on the above subject. I have tried in this report to present a comprehensive picture of the economic resources of China as they pertain to the productivity of the nation. It would be of little use at this time to treat this subject in an academic manner. The Japanese invasion is so patently linked with China's economic assets that it is desirable that its relations thereto be as clearly indicated as available information permits. Furthermore, it is highly essential that there be presented a statement of the likely effects of the Japanese plans and objectives upon American trade with China and more especially the outlook for the future.

Forty copies of the report are transmitted in order to permit of distribution among different officers interested and possibly also among the managers of the district offices of the Bureau on the Pacific Coast.

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Julean Arnold
Commercial Attache.

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FOREIGN MAIL

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WHAT CHINA YIELDS IN PEACE AND WAR

Like America, China is a vast continental country. They both possess immense agricultural domains, but China is essentially more agricultural than is America. About 80% of China's population is rural. Although China is not so rich in natural resources as is America, yet she possesses vastly greater potential assets in man power. However, the per capita productive man power of America, aided by modern machinery and scientific organization, is probably 25 to 30 times greater than that of China. It is because China has within recent decades taken a serious interest in the utilization of modern science and invention and in the education of her people to take the fullest possible advantage of these, that the potentialities of the country excite the interest of the outside world.

Up to the present, in our efforts to make any appraisal of ~~the~~ what China yields, we have had to be guided mainly by what her people eat, because working upon the low economic levels which have characterized her society, generally, the problem of subsistence has been of paramount importance. This condition has been sadly accentuated by the Japanese invasion, which has arrested in a most tragic manner, the remarkable progress of the new China. Unfortunately militarists are seldom economists. This fact will become apparent, as it concerns Japan's militarists, as this article progresses. The question also arises, just how do we fit into this picture?

Rice Versus Wheat

When asked the question: "What do the Chinese people eat?", we refer to the 400 millions who are on low economic levels rather than to the 50 millions in comparative affluence. To this query the majority of the American people would reply "rice". It is true that the Chinese do grow and consume more rice than any other peoples, producing annually as much as $1\frac{1}{2}$ billion bushels and consuming considerably more. But it will surprise most of our people to be told that China also produces and consumes more wheat products than does America. In fact, China ranks second among the nations of the world in her yields of wheat, Soviet Russia being first.

According to J. Lossing Buck, in his "Land Utilization in China", wheat is more universally found in the Chinese diet than is rice. He estimates that three-quarters of the families include wheat products in their diet while not more than one-half consume rice. In the rice areas, the farmer may plant wheat in the autumn after the rice harvest. He will cut it before the next rice is sown in the early summer. Who would have believed that the American shipments of wheat to South China for refugee relief have actually resulted in the waning of numbers of people away from rice? Many of the southern Chinese have now come to realize that cracked wheat porridge is more nutritious and satisfying than is the staple food to which their forefathers were accustomed for countless ages.

Modern flour mills in China had threatened to relegate to a museum of antiquities the household gristmills and the age-old stone mills operated by water wheels. American mechanical equipment played a prominent part in building up the modern flour mill industry of China. The Japanese invasion destroyed a number of these modern mills, while the Japanese militarists have taken possession of certain others and aim to reserve, mainly for Japanese enterprise, those which may be subsequently developed.

Kaoliang and Millet, Kings of the North

There are among the people of the north many who are too poor to eat much wheat. To them a species of sorghum, called kaoliang, furnishes a very cheap and fairly nutritious food. In actual volume produced, it ranks first among the cereal crops of north China but its chief value is as a food for animals. From the seeds of the kaoliang, the Chinese produce a liquor, far more potent than their common rice wine. The kaoliang stalks, which often grow eight and ten feet high, serve, in a country where accessible timber is scarce, as fuel, fences, reinforcements for mud huts and for scores of other purposes. Kaoliang may be considered although in a very limited sense, the bamboo of the north. The leaves of the plant, like those of Indian corn and the vines of the sweet potato, are plucked when still green and fed to the millions of farm and pack animals of north China and Manchuria.

No native of the north can escape a liberal indulgence in the use of millet. Like kaoliang, millet also serves as a food for animals. About 75% of the millet and 40% of the kaoliang produced are used for human consumption. The people of the north usually make their breakfast on a millet gruel, similar to the rice congee which constitutes the breakfast of the vast hordes of central and south China. It is only in this one meal, the breakfast, that Chinese who have been abroad admit that the Occidental cuisine surpasses theirs. Next in importance as a cereal, especially to the people of the north, is Indian corn. Among the common sights along the streets and road sides in the autumn and winter in north China are the big open kettles sitting over charcoal fires and filled with steaming hot ears of yellow field corn.

China Leads in Sweet Potatoes and Barley

What a great boon to the masses throughout the length and breadth of China has been the sweet potato! The late Dr. Berthold Laufer states that it found its way to China through the Philippine Islands toward the end of the sixteenth century when it received an S.O.S. call from famine-stricken Fukien on the south China coast. It has become so thoroughly identified with the dietary of the poorer people, that no gentleman would serve it on a feast table. Thus while the Irish potato, except for a certain popularity in the northwest, is still seeking a place in the sun of this ancient civilization, the sweet potato has become an almost universal food product. The country grows as much as 700 million bushels a year, which puts it in first place among the sweet potato producing nations of the world.

Another fact, not generally known, is that China is first in the production of barley. The Chinese use very little for the manufacture of malt, but approximately one-half goes for human consumption and the other half for food for animals.

The Soy Bean is the Cow of China

Buck tells us that nearly 98% of the food energy of the Chinese people comes from vegetable and only 2.3% from animal products. He also states that pasturage in China comprises but 1.1% of the land, whereas in America it constitutes 57%. These figures help us to understand the necessity in China for vegetable substitutes for animal products and especially mammalian milk. If one were to search every Chinese household to ascertain what particular food products were most common to all, he would probably find beans and peas first on the list. If he were then to stage a popularity contest for the single item best qualifying as Miss China, he could not do otherwise than to award the decision to the little soy bean.

Like many other of the world's useful economic plants, the soy bean originated in China and can trace its ancestry back three or four thousand years. The word "soy" is a corruption of the two Japanese words "shou yu", the Japanese pronunciation of the two Chinese characters for what we call soy bean sauce. China still accounts for about 70% of the entire soy bean production of the world and hundreds of varieties have been developed. The soy bean is sensitive neither to cold nor heat. It is grown in northern Manchuria as well as in southern Kwangtung. There are more soy beans produced in China south of the Great Wall, than in Manchuria. It is because Manchuria possesses a population of only 30 millions, that its 180 bushels give a considerable surplus for export. On the other hand, the 250 million bushels produced in the rest of China are inadequate to meet the demands of these more populous regions.

The soy bean is rated the most perfect of vegetable foods. With the help of the Rockefeller Foundation in Peiping, the Chinese have developed a scientific formula for making a soy bean milk which serves as a substitute for mammalian milk. It can be made for about one-tenth or even one-twentieth the cost of cow's milk. In fact, methods have now been developed here in China for the production of a soy bean powder from which the milk can easily be made by merely adding the specified amount of water. Thus the soy bean may well be called the cow of China. One of the advantages in milking a soy bean is that one does not have to get up at five o'clock in the morning nor work Sundays and holidays to do it. No wonder it has been predicted that it may some day force the cumbersome and costly cow into the museum of extinct animals.

After taking the milk from the soy bean, there remains a residue, far richer in proteins than is beef. When this is mixed with about 40% coarsely ground wheat flour and baked, the result is a very nutritious and palatable cake. Two or three of these cakes and a quart of soy bean

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milk are said to be adequate nutrition for an adult for a day, and cost the equivalent of a two cent U. S. postage stamp. However, for human consumption among the Chinese the most common use of the soy bean is in the form of a highly concentrated food product known as bean curd or bean cheese.

Before soy bean milk and bean curd can be popularized in America, they must be divested of their tang to make them acceptable to the American palate. However, soy beans are gaining in popularity in the United States. America in 1938 produced about 70 million bushels, ranking next in importance to China, but most of this crop serves as fodder for America's 25 million cows, helping them to produce that which the little bean might furnish directly.

China Supreme in Vegetable Oils

However great the food value of the soy bean, it is the oil which is impressed from it that gives it an important place in the world of commerce. It serves as a substitute for butter and lard, as a salad oil, and is used in the manufacture of paints, soaps, plastics and many other commodities. One American authority listed as many as fifty different uses to which the soy bean can be put, proclaiming this wonder bean the most serviceable of all vegetable products. Thus it is no wonder that Japan was so anxious to annex Manchuria. She has been able to cash in on Manchuria's resources in soy beans in a larger way than she has upon the excellent mineral resources of this territory larger in area than Germany and France combined.

Manchuria is the principal source of supply also for the oil impressed from the perilla seed. It has found a useful place in America in the manufacture of linoleum. Other of the vegetable oils in which China leads the world are sesame seed, rapeseed, tea seed, peanut oil and tung oil. She is also a heavy producer of cotton seed oil, castor seed oil, and camphor oil, the latter used mainly in the lacquer industry, while castor oil in China finds its principal use as a lubricant.

China's edible vegetable oils serve many other than mere culinary uses. They are very important for the lamps of China. Prior to the Japanese invasion, our enterprising oil and electrical firms had made marvelous strides toward weaning the Chinese away from their vegetable oil illuminants. Now as the war drags on, the Chinese masses are being forced to revert in increasingly large numbers to the vegetable oil lamps of their forefathers. The refuse from these vegetable oils contributes in a big way to the food requirements for China's domestic animals and serves as a fertilizer.

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In the territories over which the Japanese have secured military control they have lost no time in setting up organizations to handle the surplus of surplus goods.

Tung Oil, China's Principal Export Item

Within recent years tung oil has pushed itself to the front in China's export trade. Incidentally, America has been taking each year almost 50% of China's entire output. Like a number of other of the world's economic plants, the tung tree originated in China. Our varnish and paint manufacturers consume upwards of 100 million pounds of oil annually amounting to about \$15 million. It is also finding uses in a number of our other industries. In China, it is used in paints, for caulking and cleaning boats, for preserving woodwork, for lacquers and varnishes, for dressing leather, in the production of lampblack, for making rainproof paper and cloth, in the manufacture of Chinese or India ink and as a remedy in parasitic and skin diseases. The tree is handsome, especially when in full blossom in the spring. It grows well on hillsides and thrives in poor soil provided it has plenty of rain. It is, however, sensitive to frosts.

Efforts are being made to grow the trees in some of our southern states. Unfortunately we have been distressingly slow in learning how to grow these trees successfully on a large scale. Considering the sad plight with which our southern states are confronted, owing to the huge stocks of surplus cotton which they are carrying, we should more readily sense the needs for just such crops as tung nuts and soy beans to take up the slack in the lessened world consumption of American cotton. I have been informed that we could, provided we were assured of supplies of tung oil within reasonable price fluctuations, double or triple the amounts consumed by us. However, the Sino-Japanese hostilities have badly disrupted transportation conditions in China. In spite of this, the Chinese Government is shipping out large quantities from west and southwest China, mainly through the port of Haiphong in Indo-China. The overland transportation presents a problem taxing the ingenuity of experts trained in complexities of China labor and transportation conditions.

America Casts Peanuts upon China Waters

Mention must be made of the importance of the peanut in the economic life of the Chinese. America has been a heavy importer of Chinese peanut products, especially peanut oil. In fact, it is America to whom China is indebted for putting her country on the world's trade map in peanuts. Although peanuts like sweet potatoes, found their way into China from America through the Philippine Islands several centuries ago, it was only in recent decades that the Chinese peanut appeared in the channels of world trade.

It was about forty years ago that one of the several thousand of our American missionaries in China brought back with him from his furlough in the United States, a few quarts of the improved varieties of our peanuts. He distributed them among his converts to serve as seed. As a consequence, China has become, with an annual output of nearly three million tons, the world's principal source of supply of superior peanuts and peanut oil.

In the territories over which the Japanese have secured military control, they have lost no time in setting up organizations to handle the exportable products thereby establishing foreign credits, and incidentally making China and the purchasers of Chinese commodities pay their toll toward the upkeep of the Japanese armies. The exports of peanuts and peanut oil from Tsingtao amount to upwards of a quarter of a million dollars American currency annually. The United States takes most of the peanut oil paying real American money for something which the Japanese secure for their paper backed only by their bayonets.

China's Great Variety of Vegetables

In the diet of rural Cathay, one must include an extensive category of still other vegetable products. These include cabbages, turnips, radishes, onions, garlic, cucumbers, squash, melons, water chestnuts, eggplants, greens, bamboo shoots, lotus roots, rhubarb, seaweeds and many varieties of fungi. Centuries, in fact, milleniums, before this little world of ours became vitamin conscious, the Chinese sensed the value of cabbage soup for their infant population. Thus cabbage joined hands with the little soy bean in priming young China for his training as a starter in the race for the survival of the fittest. The results speak for themselves.

China presents to the world some interesting anomalies. It is for this reason that we are accustomed to consider it a sort of topsy-turvy land. For instance, we should naturally expect the people living in tropical China to crave pepper, but the thirty million Cantonese use very little, whereas the populations in the more temperate regions of central-west China indulge heavily in red pepper. What is also strange is that the Chinese residents of the tropics are rated more active and enterprising than are the people of the north. On the other hand, the rice-eating people of the south are smaller in stature than their wheat eating compatriots of the north.

China Rich in Fruits

The Occident is indebted to China for some of its richest horticultural assets. China is noted for her citrus fruits. She not only boasts of many varieties of oranges and pomeloes, but some compare favorable with the choicest specimens of American oranges and grapefruits. Unfortunately, like most Chinese commodities, citrus fruits suffer from a lack of standardization and from uneconomic marketing methods. On these accounts, the well-standardized California orange finds a market in a country, which not only gave the orange to the world, but is among its greatest producers of citrus fruits.

The Chinese exhibit a universal fondness for the compact, nutritious and naturally hermetically sealed banana. Considerable quantities, but of rather poor quality fruit, are produced in south China. They find ready markets in nearby areas. However, with the cheap lands and favorable

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Nuts

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climatic conditions of Hainan Island, the country offers a throne for a banana king capable of setting up the organization necessary for the production and distribution of tens of millions of bananas in one of the best potential markets which the world has to offer.

Wild peaches and wild pears are still in evidence in China, telling us that these fruits are indigenous. One of the interesting varieties of the cultivated fruit is a flat, juicy peach with both red and white flesh. Pears are a profitable crop in the north, where many varieties have been developed. Among other of her deciduous fruits, China produces apricots, plums, grapes, loquats and a rather small and inferior variety of cherries.

In the Peiping countryside, one may see millions of persimmons stacked six and eight high on frames and well ventilated, while undergoing refrigeration in the cold, dry outdoors of the north China winter. By this method, the flavor of the fruit is improved. There are also to be found in the markets during the spring and summer months, large quantities of dried persimmons.

Among the pleasing sights in north China during the Chinese New Year festivities are the thousands of gaily garbed children, the proud and happy possessors of savory bamboo sticks of ten to twenty glazed crab apples or red hawes. Another fruit peculiar to the north, which is also treated with honey, is the jujube, commonly known as the Chinese date. Speaking of honey, it may be said that even though China may not boast of being a land of milk it goes in heavily for honey as it produces blossoms in abundance which attract the bee. Honey serves many communities in place of sugar.

Sugar, an Index of Economic Modernization

It has often been said that the measure of a country's modern economic advancement may be gauged by its per capita sugar consumption. China's is very low, but probably not so low as it would have been had she not been a substantial producer of sugar cane, especially when still possessed of the Island of Formosa. In the south, many of the food stalls sell the cane as confection. Thousands of natives may be seen sucking and chewing sugar cane, which is candy to them. Since Japan took possession of Formosa, she has increased the production of sugar there to about a million tons a year or more than ample for her domestic requirements. By forcing the Chinese farmers to grow the cane on mere subsistence economic levels, she is able to produce sugar cheaper than produced elsewhere in the world. About ten years ago, the Chinese in the south, especially Kwangtung Province, became actively interested in increasing the quantity and improving the quality of their sugar cane. Modern manufacturing plants were also installed. Unfortunately, the manufacturing industry was almost wholly a provincial government enterprise, hence lacked economic soundness. However, the Japanese invasion has decreased the South China cane yield by 25%.

Nuts

China is not only a heavy producer of English walnuts, but sends thousands of pounds of the walnut meats to our country. The Chinese chestnut is so hardy and blight resistant, after having qualified as a starter in the race for the survival of the fittest, which may be termed China's chief sporting event, that some years ago when our far less hardy chestnuts were threatened with extinction by a blight, we had to send to China for seeds to furnish the hardy stock for a rejuvenated chestnut industry in our country.

An edible apricot kernel adds to the agricultural wealth of the north. These apricots are raised for the kernels only. The roasted kernels are served on the Chinese feast table, as are peanuts and almonds among us. Apricot kernels have a distinctive almond flavor and are often erroneously called almonds by foreigners resident in China. Considerable quantities have been exported from China to America.

China the Original Garden of Eden

America has drawn very heavily upon China as a source for flowering and other plants, in fact several thousands of the species now cultivated are of Chinese origin. Szechwan Province in west China is especially rich in plant life. It has often been referred to as the original Garden of Eden. It is the source of supply for most of the Chinese herbs, which figure prominently in the country's materia medica, some items of which have now become identified with the materia medica of the Occident.

Considering China's low economic levels, she supports an astoundingly large number of drug shops, due primarily to the almost limitless number of remedies developed for all sorts of complaints, real and imaginary. One of the grave aspects of the Japanese invasion is its stimulation of the trade in narcotics, as hundreds of so-called medicine shops have been opened especially for this purpose. The growing of the opium poppy was diminishing rapidly through the efforts of the Chinese prior to the outbreak of hostilities. More lands formerly given to the cultivating of the poppy were going back into the growing of subsistence crops. However, during these past two years, the growing of the poppy has been actively encouraged by the Japanese not only in Manchuria but also in other of Japanese occupied areas.

Tea Produces an Abstemious China

Some of our romantic conceptions of China carry us back to her tea gardens. The tea plant is a member of the camellia family. It figures prominently in the economic plant life of the country. Whether it is because the Chinese, by force of necessity are vegetarians, or because during the four or five thousand years of their civilization they sensed all too well the subtle machinations of the god of wine, in all events they are abstemious. Tea has throughout their history constituted their main beverage. At one time China supplied the outside world with its teas, but during the past seven or eight decades, the growing of tea in other countries, where labor

conditions permitted of an economic development of the industry, forced the plant into a relatively unimportant place in the export activities of the country of its origin.

However, one can secure in China, the most expensive as well as the cheapest teas in the world. For those who appreciate the rarer varieties and possess the means to indulge, it is possible to pay as much as the equivalent of US\$20 a pound for it. Those who know tea would not deaden the delicate aroma of the subtle flavor of the choice qualities by doping them with milk or sugar. The poorer classes, who cannot even afford the cheaper qualities of tea, must content themselves with the steeping of leaves of inferior plants, except upon festival occasions. Estimates place the quantity of tea produced annually in China at about 700 million pounds. Incidentally, it may be claimed for China, that the custom of her people in drinking hot tea during all these centuries, in place of cold beverages, has had much to do with keeping down the death rate. It has served as an excellent sanitary precaution. In fact, until within the last two or three decades, Chinese generally considered cold beverages as poisonous, and not without reason, so long as the evil spirits of contamination lurked in their midst.

Flowers Contribute to China's Wealth

Closely associated with tea in China's flowering plants are the jasmine and gardenia blossoms, which are plucked and dried to serve for the scenting of certain varieties of teas. Several species of roses are grown especially for the scenting of liquors and wines. The seeds and roots of some of China's flowering plants figure in the nutrition of the nation. Sunflower seeds, lotus seeds and the roots of some of her lilies are among these. Along with the musk, from the little musk deer of west China, some of the highly scented flowers go into the manufacture of perfumes. However, the Chinese women seem to get much perfume satisfaction from the wearing of highly scented flowers. Flowers are sometimes grown especially for medicines. Some of them are also a factor in the country's dyestuffs industries.

China Drow Upon Nature for her Dyestuffs

During the centuries, China has taken advantage of her wealth in plant life and also in certain minerals to develop an extensive category of dyes and pigments. Among the indigenous plants is indigo, used for dyeing since the early centuries in Chinese history. Its early use in the dyeing industry in China probably accounts for the continued popularity of blue in the dress of the masses. Although the Chinese have a green indigo, their most brilliant green is produced from the bark of a tree called the lu-ch'ai. The flower buds of the hwai-mi give them shades of yellow. For browns, they use mangrove bark and for turkey red, the root of the madden vine. Safflowers give them red, orange and rose tints. The dried roots of the turmeric, a member of the ginger family, also figure in Chinese dyestuffs. Next after indigo, vermillion is probably most commonly associated with Chinese dyes and pigments. However, it is made from cinnabar, hence figures among the mineral dyes. But its brilliant and fast reds are conspicuous in the Chinese world of color.

Prior to the outbreak of the Sino-Japanese hostilities, China had resorted to such an extent from the use of her natural dyes that she was regarded by our dyestuffs manufacturers as one of their most promising markets. Artificial dyes proved more uniform and easier of application than did the natural products. Our American dyestuffs manufacturers early in 1937, reported that improved economic conditions among the rural masses in China were reflected in greatly increased sales, not only of artificial indigo, but also of the better grades of aniline dyes.

While dealing with the economic plant life of China, we find that tobacco occupies a most surprising position among her masses. Considering economic conditions in China, the huge consumption of cigarettes is astounding. Just before the Japanese invasion, it was estimated that the Chinese people were consuming as many as 70 billion cigarettes a year or about half as many as are consumed in America. No one phenomenon in China's economic life attested more definitely to steadily improved economic levels among her masses than this increased consumption of what is certainly not a necessity nor possessed of food value. China probably produces as much tobacco as does America.

An interesting, but at the same time tragic situation has already developed in the leaf tobacco trade of China. Manufacturers of cigarettes realize that in order to maintain the market, they must hold their prices down to established levels. The drastic inflation of the domestic currency forces manufacturers to seek cheaper sources of supply for the raw material. Owing to the disrupted conditions in the agricultural economy of the country, the supplies of native leaf became increasingly difficult to obtain, especially with Japanese buyers monopolizing purchases in territories under their control. Thus the only other alternative was to go to India for the cheaper grades available there. During the summer months of 1939, the Shanghai customs returns bore this out, with greatly increased imports of India leaf. For the month of August, American leaf, which for many years enjoyed as much as 95% of the trade, dropped to 15%, with indications of its complete elimination. Thus American exports of leaf tobacco which had in years gone by gravitated between 15 and 40 million pounds a year, seem now to be destined to complete extinction. Even though the imports of India leaf may be interrupted by the European war, the prices of American leaf will probably be too high to meet the lowering buying powers of the Chinese masses.

Chinese people have been compiled as follows, with the figures in millions:
chickens 370, ducks and geese 70, hogs 70, goats 30 and sheep 22. In draft
animals, the figures given are: oxen 20, water buffaloes 11, donkeys 10,
horses 6 and mules 4. In addition to these about a hundred thousand pic-
ture looking camels in caravans of from ten to twenty or thirty went
the roads of north China, utterly distant of

There is also the danger that should Japan succeed in her ambitions to set up an economic overlordship in China, American interests in the cigarette manufacturing industry in China, which are very considerable, will be confronted with plans for the extension of a Japanese sponsored government monopoly. As in her policies in Korea and Manchuria, she will probably not peremptorily force the retirement of the American and other foreign interests in the cigarette and tobacco business in China, but by annoying restrictions and invisible pressure, exerted for the most part through Japan's puppet rulers, they will be forced to sell out and leave the field to the Japanese exploiters.

China's Vegetable Civilization

According to Buck, it is the consumption of vegetable rather than animal products which enables the Chinese farmer to eke out an existence on a farm averaging no more than three or four acres. The main sources of power on the Chinese farm are human and animal labor. Buck also states that in general, Chinese agricultural yields are better than those of India and Russia, not as high as those of Japan and are less favorable than those of Italy, Germany, Great Britain and the United States. He accounts for this situation by the following unfavorable factors obtaining in China: floods, droughts, soil erosion, insufficient fertilization, absence of control of insects and diseases and inferior seeds. However, it is the use of vegetarian products which has made possible a density of 1,500 farm population to the square mile of cultivated land in China.

In the interior of China there may be seen thousands of human carriers each conveying on his back or swinging from his shoulder a load weighing a hundred pounds or more and covering an average of fifteen miles a day. Their contracts often call for deliveries several hundred miles distant. They do this on a vegetarian diet involving a cost of the equivalent in our money of about a dollar a month. Thus, this oldest and most populous of nations is, by force of necessity, exceedingly low in the consumption of animal products. Judging by the sparsity of available, reliable statistical data on China's economic resources, one may be forced to conclude that vegetarianism is not conducive to thinking in terms of statistics. In all events, it is only in recent years that statistics covering China's economic resources have begun to appear.

The Consumption of Animal Foods Grow in Popularity

From these data, which I have my suspicions are in some cases little more than educated guesses, we are now told that China's annual per capita consumption of meat products is as follows: pork 16 pounds, beef 6 pounds, mutton 4 pounds and poultry 4 pounds. The annual per capita consumption of eggs is given at 43. This would mean that the country produces each year about 20 billion eggs. It exports annually about 2 billion in varied forms. The United States with a smaller aggregate number of chickens, but with scientific pressure brought to bear on the egg laying capacity of hens, produces about 30 billion eggs annually. Assets in the animal food of the

Chinese people have been compiled as follows, with the figures in millions: chickens 370, ducks and geese 70, hogs 70, goats 30 and sheep 22. In draft animals, the figures given are: oxen 20, water buffaloes 11, donkeys 10, horses 6 and mules 4. In addition to these about a hundred thousand picturesque looking camels in caravans of from ten to twenty or thirty wend their leisurely way over the roads of north China, utterly disdainful of the encroachment of the gas car. China leads the world in the quantities of poultry and hogs raised, yet no families or organizations make these a major industry. They are the by-products of the Chinese farm. However, the curing of hams has been developed into a special business, the choicer varieties being honey cured.

Indicative of the changing tastes of the Chinese are the sales of hot dogs in one of the Shanghai Chinese department stores. These average, after but a few months since their introduction 600 a day. For the equivalent of $1\frac{1}{4}$ cents American currency, its customers get a hot broiled frankfurter with a dash of sauerkraut and a dab of mustard, all encased in a liberal sized bread roll. Although this may seem to be a very trivial item to mention in an article of this sort, it is significant. It shows that the Chinese, where economic conditions permit and the opportunity otherwise presents itself are not dyed in the wool vegetarians.

Fishing in China

Considering not only the antiquity of China and the density of her population but also the little that has been done by the government in the maintenance of fish hatcheries, it is surprising that the supplies of fish and marine products seem as plentiful as ever. Fishing is one of the country's outstanding industries, wherever facilities permit. In central and south China, there are numerous private pools stocked with fish for marketing purposes. Someone has said that when a Chinese plants his rice he puts in three crops on his field: rice, ducks and fish. This is somewhat of an exaggeration, but nevertheless in the rice producing sections, large quantities of fish and ducks are also produced. However, the prices for fish are usually relatively high resulting in a restricted consumption among the masses. The Chinese cooks, some of whom can out-cook any other cooks in the world, are especially adept in the preparation of fish and marine products. No Chinese feast would be complete without them. China imports large quantities of dried shrimps, shipped from our Gulf ports. Japan would like to control China's fish and marine products industries. Already, as one of the results of the Japanese invasion, Japanese fishing fleets now operate along the Chinese coast and in Chinese waters, thereby tapping another of China's sources of economic wealth.

Wild Game Plentiful Despite No Closed Season

To the surprise of many people, this old and densely populated nation is rich in wild game, especially in ducks, geese, pheasants, pigeons, snipes, quails, partridges, rice birds and small deer. The wild game is very ingeniously trapped or hunted by those who make it their business. There is no season on wild game in China, but the Chinese peasant and laborer can afford neither gun nor ammunition and the wealthier classes have very few sporting proclivities.

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Brief Recapitulation on Food Products

By way of recapitulation, in a statement concerning what China yields, the food products, in order of their relative volumes are: rice, wheat, sweet potatoes, kaoliang and millet, beans and peas, other vegetables, fruits, oil producing seeds, barley and peanuts. In order of importance the animal food products are: poultry and eggs, pork, beef, mutton, fish and wild game. The war has accentuated the growing of subsistence crops, reducing considerably the production of cash crops. In other words, it has thrown the masses back to mere subsistence levels.

What do the Chinese Wear?

After food, the next in line of importance to any civilized peoples is clothing. China connotes silk. She started the little silk worm on its journey about five thousand years ago. For many centuries she safeguarded from the rest of the world the secrets of the raising of the mulberry, the feeding of silk worms, the spinning of the cocoons, and the weaving of the fabrics. However, China some decades ago relinquished her banner position in the production of raw silk to Japan which subsequently became the world's premier country in silk exports. The United States became the heaviest importer. In fact, during the past few decades, it has taken in the aggregate some billions of dollars worth of Japan's raw silk, thereby aiding Japan very materially in her efforts to build up a modern economic and military structure.

Poverty Favors Cotton

China has probably known cotton almost as long as she has silk. She stands third in the world in her cotton production with almost four million American bales annually. Reports indicate that China even devised a cotton gin many years before Eli Whitney startled the world with his revolutionary invention. Huge quantities of her ginned cotton are used for the padding of clothing and bedding and probably as many as 90% of the Chinese people, because of their low purchasing power, must content themselves with cotton clothing.

Records indicate that cotton was grown in China as early as 2200BC. Like many other things Chinese, Chinese cotton has been so long isolated that it has developed distinctive characteristics. For instance, it is too proud to hybridize with any other cottons, in spite of the fact that cotton is a very gregarious plant.

During recent decades much has been done by our Asiatic neighbors in the acclimatization of certain strains of American cotton for the purpose of furnishing the much needed longer staple fibers. The Japanese are especially aggressive in their efforts to stimulate the production of American type cotton on the eastern rim of the Asiatic Continent so as to insure a near home source of supply for this raw material of increasingly greater significance to Japan's industrial life and military ambitions.

Some of Japan's propagandists paint for us a glowing picture of increased sales of American cotton with Japan in control of China. Not many years ago our cotton trade with the Far East amounted to upwards of \$100 million annually. Let us now labor under no illusions. As a nation interested in foreign trade, we need more coordinated thinking among the various groups participating in our international commerce. Japan's invasion of China has already destroyed billions of dollars of China's economic wealth. Prior thereto, the Chinese peasants saw visions of being able in the not distant future to blossom forth on the two or three important festival days in their year in new suits of cotton clothes. They were getting real money for their crops, as they were learning to raise bigger and better crops. They were enjoying cheaper transportation facilities and were beginning to get farm loans at 8% and 9% a year instead of having to pay the usurious rates of 25% and 30% which had obtained from time immemorial.

In beating the Chinese to their knees, Japan is also taking the clothes from their backs. How can anyone believe for a moment that a process of this sort will increase the sales of American cotton? Furthermore, Japan's plans envisage forcing the Chinese farmers to produce the American type cotton for the Japanese cotton mills at the equivalent in our money of no more than 3 to 4 cents a pound. If she can force the Chinese farmers in Formosa to produce for her the cheapest sugar in the world, on the penalty of starvation or imprisonment, can she not also, if she is able to set herself up as military overlord in China, dictate the prices of the cotton which her serfs must grow for her textile industry?

Nature is cheating Japan out of the opportunity of drawing on north China for large supplies of raw cotton this year. The floods, the worst in the memory of living man, have reduced very seriously all autumn crops in north China. However, the plans remain fresh in the minds of those who are determined to use China as a source of supply for Japan's needed American type cotton.

It is patent then that our cotton interests stand to be heavy losers if the Japanese militarists have their way. In fact, we have already suffered tremendous losses because of the disastrous effects of the hostilities upon the purchasing powers of the masses in China and because of the destruction of the cotton mills of China, which have meant the reduction of China's spindleage from five to less three millions. America was not only selling increasingly larger quantities of cotton mill machinery to China before the hostilities, but enjoyed continuously brighter prospects for the sales of her raw cotton in that country because of gradually improving economic conditions among her masses.

Other Fibers

Besides silk and cotton, China also produces a specie of ramie fiber called China grass, which is likewise indigenous. Summer garments are made of this fiber. Both the fiber and the fabric figure in the country's exports. In the south, rain coats and hats for the poorer people are made of palm coir. Oiled paper, reenforced with coarse thread is also used by the southern Chinese for protection against rain. The ability of the Chinese to turn to practical purposes nearly everything with which they come into contact is exemplified by these ingenious devices.

with charcoal gas producing tanks to meet the dearth of domestically produced petroleum products. However, generally speaking, China lacks economic resources of timber, which, with improved transportation, may

Skins and Furs in the North

In the north, especially the northwest, where millions of sheep find grazing lands, wool is produced. However, China can claim but 3% of the world's sheep population. Wool in China is used mainly for manufacture into blankets. Much of it is, however, exported to America for her carpet industry. Japan is naturally greatly interested in the sheep and wool resources of the north. In Manchuria she is carrying out extensive plans for improving the breeds and increasing the numbers of sheep, mainly to increase the wool available for her textile industries. In north China, she has set up a Japanese monopoly for the purchasing and handling of wool. With her irredeemable paper currency, she takes the wool from the Chinese producers and sells what the American market demands, getting in return real American money. In West China, the National Government Resources Commission is using annually about six million pounds of wool produced in that section for the manufacture of blankets for soldiers.

Cognizance must be taken of the fact that sheep and goat skins and those of certain other animals are worn in the north during the cold winter months by many whose work keeps them out in the open. North China is also rich in the types of furs which figure in the clothing of the wealthier people. Furs constitute an important item in the country's export trade, especially that with the United States.

What about the Chinese Home?

In China, one may pass from clothing to shelter quite naturally. The great masses depend more upon what covers their bodies for their shelter than they do upon their houses. One of the big problems of the Chinese people is the conservation of heat. There is seldom any difference between the temperature within a Chinese home and that without. In their homes in the north, the people sleep on brick beds in the nature of ovens which are the only heating stoves except charcoal braziers which the house provides. Children may be seen almost anywhere on the country-side scratching the hillsides and roadsides for dry grass and roots to serve as fuel for their families.

One of the more conspicuous changes among the middle and upper classes in Chinese society during the past quarter of a century has been their keen interest in Occidental ways of living, especially the comforts, conveniences and other advantages of the Western type home. They all admit that Chinese clothes and food are generally satisfactory but that the Chinese have much to learn in better means of shelter. Thus with improved economic conditions, revolutionary changes in living conditions may be expected.

China Poor in Timber

The country's resources in timber are poor, although many Americans visiting China are surprised to see so many trees, especially in the more densely populated sections. The country does, however, produce large quantities of light timber used for the manufacture of charcoal. Extensive experiments have been conducted during recent years in fitting motor busses

with charcoal gas producing tanks to meet the dearth of domestically produced petroleum products. However, generally speaking, China lacks economically accessible resources of lumber. In Manchuria, the Japanese are beginning to tap large stands of timber which, with improved transportation, may find a ready market in China and thereby obviate the necessity for purchasing lumber from overseas sources of supply. Throughout rural China, dirt floors are the rule rather than the exception. Families in better economic conditions usually have tile floors. Thus, there is considerable economy in the use of wood for flooring. However, just prior to the Sino-Japanese war, modern building programs in the larger cities and general industrial developments offered increasingly alluring markets to American and Canadian lumber mills. These prospects are, for the time being at least, blasted.

Bamboo, the Friend of the Chinese People

What an inexcusable oversight it would be to omit from any inventory of China's economic resources an item of distinctly Chinese character, indigenous to China and contact with which no Chinese can escape. I refer to bamboo. The word is of Malay origin. The Chinese character for bamboo is pronounced "jew". What a unique exhibit could be assembled showing the varied uses to which the Chinese have put this remarkable product! It is produced extensively throughout central and south China. To the peoples of these regions, it figures in almost every aspect of their lives. They eat the shoots. They sleep on the bamboo mats. They sit on bamboo chairs, before bamboo tables, with bamboo fans, using bamboo chop sticks and smoking bamboo pipes. They write their letters with brushes set in bamboo handles and on bamboo paper. They are carried in bamboo sedan chairs under bamboo sunshades.

Chinese women often adorn themselves with bamboo bracelets and hair ornaments. Many of their kitchen utensils and farm implements are made of bamboo. The framework of their houses may be constructed of bamboo poles. Fences made of stripped bamboo are very common. Water is often carried in bamboo pipes. Large irrigation wheels 10 to 15 feet in diameter are constructed with bamboo, carrying bamboo pipes strapped obliquely on the perimeters for raising water from one level to another. The huge basket industry of China depends primarily upon bamboo. Thousands of China's human beasts of burden use bamboo for their carrying poles.

In what a sad plight would the millions of China's boating population be if they had to discard their bamboo boat hooks, bamboo masts and bamboo tarpaulins! Even bridges are built of bamboo. It would be rare indeed to find a stream in China from the shores of which there were not projected numerous fishing nets suspended on bamboo frames set for anticipated catches. And what a wonderful instrument is a bamboo ladder. It is strong, light, durable and at the same time a work of art. Yes, and what a delightful role bamboo plays in the art of China! Some of the most popular of her musical instruments are made of bamboo. Also we find bamboo figuring conspicuously in the country's materia medica. Finally, we may acclaim it the steel of this oldest and most populous of nations. Volumes could be written on the wonders of bamboo, a product which the West, for some unaccountable reason, has failed as yet to take into its economic confidence.

Brass, bronze and copper have, throughout much of China's long history, been prominently identified with her handicraft and art industries, industries of raw materials for her ceramics industry led to her preeminent manufacture of chinaware and porcelain. China invented

Coal and Iron Lead in China's Mineral Resources

During the past two decades much progress has been made by the Chinese in making a comprehensive geological survey. The Japanese invasion interrupted this work at a time when the world was just beginning to get the splendid results of these efforts. Although we are still without conclusive data regarding the extent of China's mineral wealth we do know that the country possesses very rich resources in coal. Owing to China's belated industrial revolution, her annual output has aggregated only about 30 million tons or 1/20 of that of the United States. In iron ore, China's resources are far less extensive. During the past two decades, modern mining methods and blast furnaces were being introduced along with economic transportation for the ores. However, since Japan's invasion of Manchuria and since the outbreak of the present hostilities most of China's workable resources in iron and coal have been appropriated by Japanese interests. For the latter reason, we may not expect a continued market of any consequence either in China or Japan for American iron and steel products. Japan's militarists are especially determined to secure in China the iron ore essential to the developments of their country's steel industry, so as to insure the materials necessary for the building up of an industrial and military organization free from dependence upon the outside world for this basic product. On the other hand, under an independent China, the prospects are that we would enjoy one of the best markets in the world for our steel products as we could couple financing of constructive developments with the furnishing of the materials needed.

The World Looks to China for Antimony and Tungsten

China is rated the world's principal source of supply for antimony, producing about 116,000 tons annually. This metal is essential to the manufacture of certain alloys which are important in the munitions industries, in making type metal and in the production of anti-friction metals. Similarly the world looks to China as an important source of supply for its tungsten. This figures prominently in the manufacture of highspeed machine tools and in the making of incandescent light filaments. These resources are eagerly coveted by an ambitious military neighbor.

Other Minerals

In tin, China ranks third in importance in world production, turning out annually about 16,000 tons. She also has good deposits of lead, zinc, manganese and quicksilver ores. Central China possesses immense stores of gypsum. The latter are used largely in the very important bean curd industry. In Western countries gypsum serves principally in the manufacture of plaster of paris, as a flux in making glass and porcelain and in the printing of wall paper. In Manchuria are found valuable deposits of bauxite, which the Japanese are utilizing for the development of an aluminium industry.

Brass, bronze and copper have, throughout much of China's long history, been prominently identified with her handicraft and art industries, indicative of a wealth of resources in copper, zinc and tin. Similarly China's wealth of raw materials for her ceramics industry led to her preeminent position in the manufacture of chinaware and porcelain. China invented these. They represent further evidences of China's rich cultural contributions to the civilized world. In fact, any dissertation upon what China yields would be incomplete if it did not at least make mention of her wealth of art. Unfortunately, the Japanese invasion has not only destroyed much of the country's art, but large quantities have been looted from central and south China cities entered.

Salt Wells in West China

Szechwan's fifty or sixty millions of people, who are not in ready access to the sea, found it necessary to go down into the earth for their salt. The salt wells of Szechwan are among the world's wonders. They date back many centuries. Some have been drilled to a depth of 3,500 feet, using the crude method of iron drills fastened onto bamboo ribbons operated by windlasses drawn by water buffaloes. Most of China's coastal salt fields are under Japanese control as a result of the invasion, and large shipments of salt are made by the Japanese to their country for use in the chemical industries. Exports of salt are prohibited under Chinese law as salt is a government monopoly and one of the principal sources of revenue of the Central Government.

Petroleum Resources Promising

In the opinion of some geologists, the central-west and northwest provinces of China possess rich resources in petroleum. Up to the present, only small quantities have been brought to the surface. Modern drilling methods will have to be instituted if these resources are to be tapped and the actual extent of them made known. China is in crying need of fuel for her rapidly developing automotive transportation, as sadly demonstrated during the present crisis. Just prior to the outbreak of hostilities, overtures were being made for the securing of expert assistance to test the nature and extent of these petroleum resources and institute plans for exploiting them. What a boon it would be to Japan were she able to secure control of these greatly needed resources as a fuel supply for her motor car and airplane industries.

Gold and Silver and the Currency Situation

From time immemorial the Chinese have been gleaning gold in limited quantities from different sections of their country. Gold art objects, jewelry and even gold coins indicate that this precious metal constituted part of the economic wealth of the country. During the centuries in China certain quantities of silver were mined in combination with other metals. However, it is safe to assume that the huge stores of hoarded silver of

Prior to the Japanese invasion, America was China's principal customer, taking over 30% of the country's exports. The bulk of these commodities came from China's village industries. Americans contact with something in the most every moment of their day. For instance, in the

America, China's Principal Pre-war Customer

which we heard so much before the outbreak of the Sino-Japanese war, and which, according to some estimates, aggregated two billion ounces, represent mainly imports accumulated over a period of some decades. During these past few years, since China went onto a managed currency basis with the notes of its Government banks as legal tender, large quantities of silver have been shipped abroad, especially in connection with the establishment of credits for the pursuit of the war.

To what extent invading Japanese armies have tapped China's hoarded silver will probably never be known. However, shipments of copped coins from China by Japanese military authorities have been exceedingly vast if one is to judge by the thorough depletion from the areas under their control of the stocks of these coins which constituted the currency of the masses. In place of metal coins, the Japanese invaders have given the rural population in these areas unsecured military notes which are a special hardship when issued in small denominations of copper cents.

One of the most demoralizing effects of the Japanese invasion has been its dreadful disruption of the country's currency. A few months prior to the launching of Japan's invasion, the Japanese Chamber of Commerce and Industry at Shanghai, in its report on conditions in China, stated "The National Government of China is now completely secure with capable hands in control of the nation's finance and economy.--- China's financial structure has become firmly laid as has been proved by the considerable improvement in her international payments."

Significance of China's Handicraft Industries

An especially interesting phase of China's economic life is her domestic handicraft industry. It is estimated that 80% of the population is rural. It is from the village that the people go forth to till their fields. The Chinese farmer is also an industrialist. Every village is a beehive of handicraft industry. No village is without its hand looms, its grist mills, its dyeing vats and still other evidences of domestic handicraft industry. Different sections have accentuated special industries. For instance, in some villages the manufacture of bean curd and soy bean products is a speciality. Some manufacture hand towels, others make hemp cord and rope. Some make the manufacture of spirit-money for religious ceremonies their major industry. Others specialize in the making of cross stitch work, embroideries and laces. Still others go in for the manufacture of straw-braids, hairnets and baskets. Many of China's domestic handicraft industries also figure in the economic life of large numbers of her urban population. In the latter, emphasis might well be placed upon the skill of the artisans and the pride which they show in their work. China's handicraft artisans have also made everlasting contributions to the art of their country.

In an appraisal of what China yields, comment should be made on the vast wealth she possesses in her naturally industrious man power. It is one of the country's richest assets. It is the ambition of Japan's militarists to regiment the man power of China, holding it in check as a huge army of privates under Japanese officering, to assist in building up for Japan a gigantic feudal military and economic overlordship on the Asiatic Continent.

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America, China's Principal Pre-war Customer

Prior to the Japanese invasion, America was China's principal customer, taking over 30% of the country's exports. The bulk of these commodities can be traced to China's village industries. Americans contact with something of Chinese origin almost every moment of their day. For instance, in the morning as we turn over on our pillows, we are likely to find that we have parked our cheeks in a bit of China, because we draw heavily upon China for our feathers. Stepping out on the carpet may remind us that our carpet industry looks to North China for much of its wool. Our tooth and hair brushes carry us back to rural China as they depend almost entirely upon Chinese pigs for their bristles. The best of our goat skins for the manufacture of women's shoes are from Szechwan in west China.

We are heavy importers of north China and Mongolian furs. Our women are dependent upon Shantung Province for their hairnets, where also the making of strawbraid for hats is a handicraft industry. Our annual six million dollar imports of cross stitch work, lace, embroideries and handkerchiefs are the products of the handicraft workers in the villages and towns of east China. Our margarine and soap industries draw heavily upon Chinese vegetable oils. Many of our houses can display bits of reed furniture, woven by the hands of southern Chinese. Our billion dollar varnish and paint industry would throw half a dozen economic fits if supplies of Chinese tung oil were suddenly cut off. Our linoleum depends upon the perilla oil of Manchuria.

For our electric light filaments and for our high speed machine tools, we look to China for tungsten. When we pick up our newspaper in the morning, how many of us realize its dependence on the antimony of China for the type which made it possible? We are heavy buyers of Chinese tin for our tinned plate. Even our hot dogs have to pay tribute to the land of chop sticks, because their casings depend upon the pigs and sheep of that country. And just think of the debt of gratitude our sufferers from asthma and hay fever owe to a specific drug made from a Chinese weed called ma-hwang! Even in our Fourth of July celebration we must go to China for our firecrackers. However, here is where we have our innings, for these firecrackers look to the overissues and used American newspapers for their fillings and some of our Sunday editions certainly produce excellent explosive material.

Independent China, the World's Biggest Potential Market

Now that we have covered in a fairly comprehensive manner China's yields and have tried to show the effects upon these of conditions of peace and of war, we are prepared to look upon the whole subject as projected out into the world of trade. It is patent to anyone who knows what China has to offer in natural resources and in her intelligent and industrious man power that once launched upon a nation-wide program of modernization she would set the whole world agog in supplying the materials essential to meeting the ever accelerating pace of a rejuvenated China set upon tuning in with the modern world.

Even the Japanese Chamber of Commerce and Industry in Shanghai in January, 1937, felt itself obliged to recognize the unmistakably progressive trends among the Chinese. This body came out with a special report commending in highest terms the progress which China had made in national unification, in currency stabilization and in economic advancement. Because of the fact that China had demonstrated by her revolutionary economic changes that she was capable of emerging from a society of domestic handicraft into one of mechanized industry and from a medieval political and social order into a self-governing modern nation, this Japanese Chamber of Commerce pled with its government and its people to change their traditional policies of aggression for those of friendly and peaceful cooperation. Also their petitions fell on deaf ears!

Never before in the whole history of mankind has there been anything more tragic than Japan's present military invasion of the neighbor from whom she had borrowed her civilization. She is biting the hand that fed her.

No one nation has more to gain from a prosperous China well on the road to complete modernization than has her near neighbor Japan. Just think what it should mean to Japan to have the economic levels of China's 450 millions raised from a purchasing power of two dollars a month to ten dollars and then twenty, thirty and possibly forty. When one multiplies these figures by twelve and then by 450 millions, the results are so staggering that we get dizzy trying to contemplate the volumes of trade which would flow therefrom. It doesn't need much calculating to arrive at figures which are vastly greater than the aggregate of the entire world's present foreign trade.

It would take more than a Jules Verne or an H. G. Wells to draw for us a picture of the China of fifty years hence were she able to go ahead under her own power in carrying on the modernization plans upon which she had embarked prior to the diabolical Japanese invasion. There was no aspect of the life of the people and no sort of Chinese institution which was not being affected by these momentous changes. More cities and towns were being reconstructed in the new China than at any other time at any other place in all of history. Often when travelling during recent years in the interior in search of some of the old familiar landmarks, I rubbed my eyes in bewilderment as a factory chimney protruded itself upon the landscape where I had expected to shake hands with a pagoda. Unfortunately, the dust and debris incident to the tearing down of the old so befogged the eyes of many observers that they were blind to the foundations and walls of the new structure which was rising in their midst.

The present outlook is gloomy. The Japanese occupy all the strategic ports of China which have access to the outside world, making it extremely difficult and dreadfully expensive for her to get supplies of materials essential for her defense. Japan has also seized the main arteries of internal communications. Under her control are two-thirds of the country's railway mileage and all the important waterways. Furthermore, she has taken possession of many of China's exportable commodities. Through her

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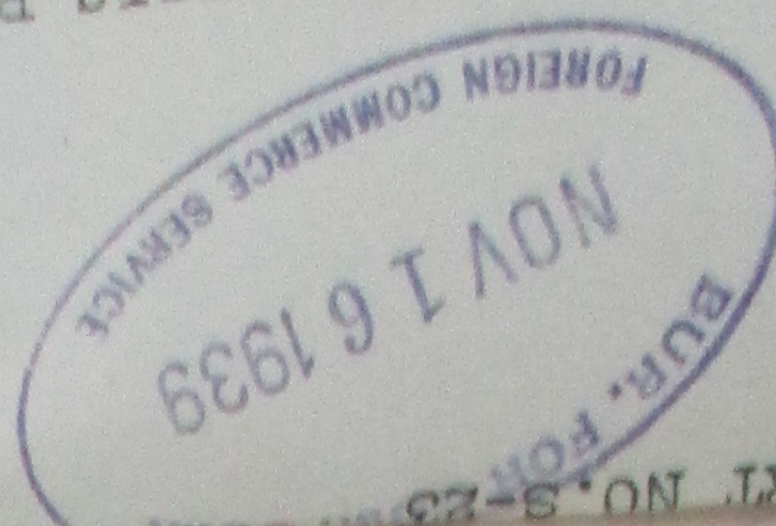
manipulations of the currency, using for her own purposes paper backed only by bayonets, she is able to grab native products in the occupied territories and convert them into assets with which to realize foreign exchange and thereby replenish her credits abroad. And what is equally important, she now finds it possible to draw upon China for vast stores of materials to replace those which earlier in the war she had to secure from foreign sources of supply, mainly from America. In destroying hundreds of China's modern factories and appropriating for her own uses hundreds of others, she has further crippled Chinese facilities for resistance while helping to supply her own needs. By these methods, she is making China, and the other nations who purchase Chinese products from Japanese occupied areas, pay toward the cost of the maintenance of the Japanese armies in China. Thus, in spite of what the Chinese are doing to marshal the resources and man power of the free China in attempts to make their resistance effective, the outlook for stalling off the onslaught of the Japanese armies is dubious.

America's Relations to China's Yields

In our trade with our neighbors across the Pacific, we are deeply interested in what China yields, as this has a very important bearing on this trade. Unfortunately, our business interests have lacked in the constructive statesmanship essential to making this trade a permanent asset. One of the grave delinquencies upon the part of many of our people in any appraisal of our trade with China is the discounting of the future, or even making any pretense at dissecting the statistical data presented to ascertain what they really signify. For instance, when told that statistics show that we are selling more goods under a Japanese regime in Manchuria than when the Chinese were in control, the tendency is to jump to the conclusion that the Japanese rule and policies have vindicated themselves, hence merit our commendation, or at least do not justify our condemnation. If one were to examine carefully the returns of our trade with Manchuria, since the Japanese launched their military invasion, it would not take long to discover that the vast bulk of the commodities imported from our country consisted of war materials and equipment used for building up Japan's war industries in Manchuria. With these she is now better able to consolidate her position and guard herself against any efforts on the part of others to demand that she respect the open door. Thus with American commodities, for which she pays in large part with products which we buy from her, she is able to clinch her hold upon the economic resources and man power of Manchuria, even to the extent of shutting out American consumer goods. As goes Manchuria, so will go the rest of China if these same policies prevail. Already, since the Japanese invasion, we have tobaggoned from first to third place in China's imports and our losses thus far are estimated at over US\$200 million.

Many have boasted of our marvelous trade with Japan and by way of contrast have belittled our business with China. Since the beginning of the present century, Japan has piled up in her favorable trade balance with us, an estimated aggregate of three billion dollars. What a wonderful asset this could have been in the furtherance of peaceful commercial and industrial developments in the Far East. But she chose rather to use those resources for the building up of a military machine designed to capture

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for herself the economic resources of China and to force the man power of that most populous of nations to do her bidding. Under the plausible pretext of respecting Chinese sovereignty she adroitly sets up puppet rulers vesting them with responsibility while she holds the reins of authority. She is very adept in the modern art of window dressing.

We have been Japan's principal source of supply for the leaden bullets used for her avowed purposes of beating China to her knees and incidentally blasting us off the Asiatic Continent. She is now sorely in need of silver bullets with which to set herself up as a going concern in the territories occupied. America is her only possible source of supply. All sorts of alluring bait in the nature of promises of huge orders are being offered. But those will, in reality, be like toy engines compared with the business which would flow our way with a China free to develop her natural resources and to use her man power for her own betterment.

The American people, in their interests beyond their own shores have been so glued to Europe, that they have had little time for their Pacific problems, in spite of the fact that these are far more portentous to their future than what may ever again happen in Europe. As early as the year 1852, William H. Seward, one of our far-visioned statesmen, declared that the Atlantic interests of the United States would relatively sink in importance, while the Pacific Ocean, its shores, its islands and the vast regions beyond, would become the chief theater of events in the world's great hereafter.

We would help ourselves most, and in the long run also our neighbors on the Pacific, by helping the Chinese. China has surprised the world in the strength of her resistance. But she is fighting with her back to the wall. Way off there in west China, against almost insuperable odds, she is planting modern factories in rice fields and running motor trucks over pack animal trails. Thus farmers are being converted into mill hands and truck drivers. Much progress is being made in developing economic self-sufficiency in the areas under Chinese control. In the temporary capital at Chungking, the Central Government officials at times spend sleepless nights running in and out of dugouts in efforts to dodge bombs dropped from Japanese airplanes. Yet their morale continues to hold up. Can this go on indefinitely? They are running short of funds. Unless China receives financial assistance from without, the outlook is dark. For the equivalent of the cost of several modern battleships, we could inspire the Chinese with renewed hope against sharing the fate of the peoples of Formosa, Korea and Manchuria. With an independent China, the way will be paved for peace and prosperity on the Pacific. With Japan dictating the disposition of the economic resources and man power of China, there will be no peace. The so-called "New Order in East Asia" of Japan's militarists will make for a backwash so destructive as to threaten the very foundations of our political and economic life.

Shanghai, September 25, 1939.