

January 2, 1926

27

To: Detroit District Office

From: Automotive Division

Subject: British Discrimination in Hongkong Against American Trucks

Several days ago I received a report on the above subject from the American Consul General in Hongkong. However, this was marked strictly confidential. In my opinion the contents should have been marked for "guarded dissemination."

As a result of conversations with the State Department they have authorized me to pass the inclosed copy on to you that you may call representatives of Dodge Brothers and the Federal Motor Truck Company to your office, peraitting them to read the report. However, under no circumstances is it to leave your office nor is it to be copied.

I am sure that after reading this report Mr. Owen will be satisfied that the matter is receiving very careful attention and as I indicated in a previous letter, I hope in the course of the next few days to also be able to pass on to you the report of our embassy in London.

After representatives of Dodge Brothers and the Federal Motor Truck Company have studied the inclosed I would appreciate your reporting their reaction to me. In the meantime, I am following up the Far Eastern Division of the State Department urging that they request a further report from the Consul General's office in Hongkong.

Forwarded:

I. H. Taylor,
Acting Chief, Automotive Division.

Harold Dotterer,
Chief, Division of District Offices.
Inclosure 28204

int ht

QUANTITY TO 1350

DEPARTMENT OF COMMERCE
BUREAU OF FOREIGN AND DOMESTIC COMMERCE

Chen with State Dept. left JPM 1/24

DETROIT DISTRICT OFFICE
607 FREE PRESS BUILDING
319 WEST LAFAYETTE BOULEVARD

DETROIT January 21, 1926.

B.F.D.
REC'D
JAN 23 1926
27/18

To: Automotive Division.
From: Detroit District Office.

Report 190603 retained in 19 JPM

Subject: British Discrimination in Hongkong Against American Trucks.

BARDED

Over to 041.2 China

This is in reference to your letter of January 2, on the above subject. I called the report which you sent with your Memorandum, to the attention of both Mr. Fitzpatrick, Export Manager of the Federal Truck Company and Mr. Owen, Director of Foreign Sales of Dodge Brothers. When Mr. Owen was in the office he raised the following point which appears to have been entirely overlooked in the State Department's work on this case.

This point is: When private owners sought licenses for vehicles which they were to operate in public service, the officials in Hongkong refused to grant licenses on any busses except those of British manufacture.

Mr. Owen pointed out that this is discrimination against an American product, even though used by British subjects or subjects of any other nationality.

Mr. Owen stated that this point is the one which American manufacturers seem particularly justified in objecting to. He states that Dr. McClure of the State Department drew up a statement of the case in some detail and made his recommendations, but is of the impression that they were not followed in every detail. Mr. Owen suggested that you and Mr. Chalmers get together and attempt to obtain from the State Department a definite statement as to what has been done on Dr. McClure's recommendations and just where the matter now stands. Mr. Owen states that instructions were sent to the Consul General in London asking him to investigate the matter from there, but that it may likely have been pigeon-holed. Mr. Owen would like to have as, soon as convenient, a statement from you as to what the State Department says in the matter.

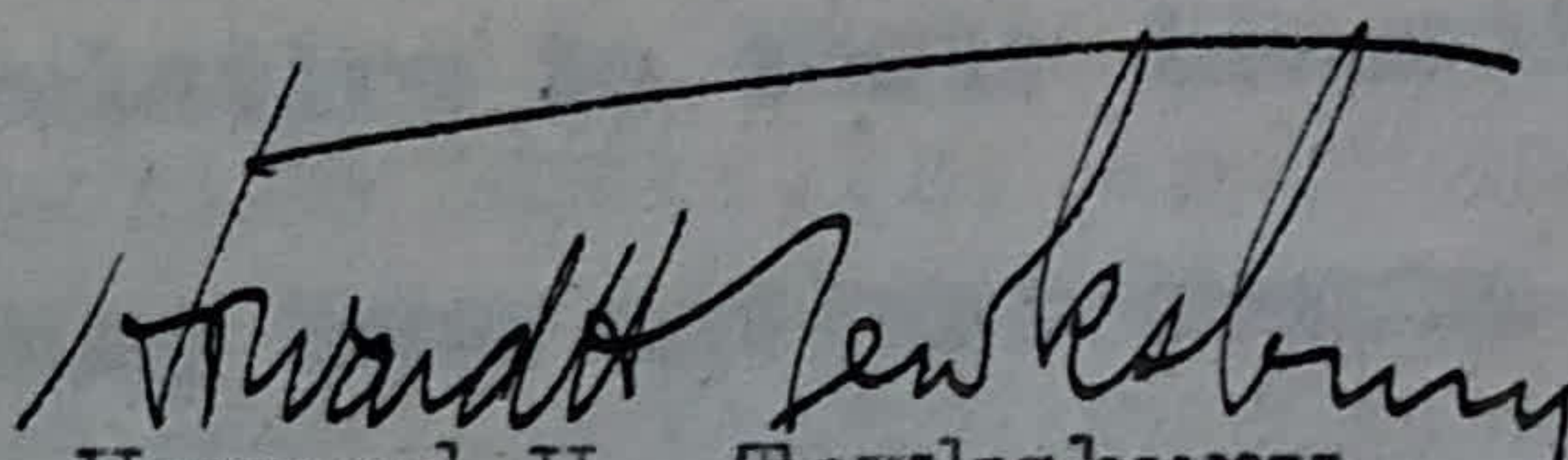
JPM

Automotive Division #2.

I am returning the confidential report made by the Consul General in Hongkong, but you will notice from this that the point raised by Mr. Owen concerning the refusal of Hongkong Officials to license any but British made busses is in no way covered in the report.

I wish to state at this time, that the report has at no time been out of the office nor have any copies been made of it.

Very truly yours.


Howard H. Tewksbury,
Manager Detroit District Office.

HHT*VR

WASHINGTON

China

February 6, 1926

To: Mr. Chalmers, Chief,
Foreign Tariffs Division

IN REPLY REFER TO 27

From: Automotive Division

Subject: Hongkong as a Bus Market

For consideration in connection with the complaint made of the apparent discrimination in Hongkong against American busses it is to be borne in mind that as of January 1, 1926 there were in Hongkong 114 American busses and 9 British (also 229 registered as trucks, some of which may have also been busses).

I have no data which would indicate the extent of the annual bus market but I would estimate that Hongkong would not absorb at most more than 25 busses in a given year.

I. L. Taylor
I. L. Taylor,
Acting Chief, Automotive Division.

RECEIVED

521
Penner

WASHINGTON

February 11, 1926.

•To: Mr. Taylor (27)

IN REPLY REFER TO 18

From: Mr. Chalmers (18)

Subject: Hongkong Restriction on non-British Cars as Public Utilities.

At your request I have studied the earlier history of this problem - which, by the way, had never been brought to my attention before this - and I have also discussed the matter with Dr. McClure of the Department of State.

It is not a matter which can be solved by bringing it forcibly to the attention of the State Department, as one of your correspondents suggests. The Far Eastern Division, as well as the Economic Advisers Office, of the Department of State has studied various treaties affecting Hongkong, and other possible bases for representations, but, as indicated in the formal reply from the State Department of August 11 last, "there appears to be nothing in the action of the Hongkong authorities which violates any treaty to which the United States is a party, or otherwise constitutes a basis of protest". The American Consulate at Hongkong and the American Embassy at London were then sent the full complaints in the matter and instructed to use their best efforts to see if this situation could not be changed.

You know the reply made to the Consul at Hongkong by the Government officials there, - that in the public utilities to be licensed there, it was definitely intended to limit the cars to those of British make in order to assist the unemployment situation in England, and that if the matter were pressed further the Government might decide to handle the situation by imposing a duty on foreign cars. We have looked into this latter question and, while Hongkong has been a free port, it is only by the will of the British Government and the duties that are now assessed on tobacco and a few other things could, at the will of that Government, be extended to automobiles. This explains the feeling of several companies active in Hongkong, that, considering the whole automobile business as against the small number possibly useful for public transportation, they would prefer not to press the matter. The Embassy at London has also replied, indicating that while they have discussed the matter with the British authorities, expressing their concern, there is no basis upon which the matter could be officially pressed.

J.P.

Under the circumstances it appears that for the time being, at least, we will have to accommodate ourselves to the limitation set by the Hongkong Government upon those cars which they will license as public utilities. This does not restrict the general market for American cars in Hongkong. Your information that on January 1, 1926, there were registered in Hongkong 114 American buses and 9 British, would suggest that at least so far we have the lion's share of business in this line as well as in passenger cars. There are some doors that have to be regarded as closed. I fear this is one of them.

Henry Chalmers,
Chief, Division of Foreign Tariffs.

Jan. 7, 1927.

Packard Motors Export Corp.
1861 Broadway
New York City.
U.S.A.

ENCLOSURE

Dear Sirs:

Discrimination: We wrote you on this subject under date of October 31st, 1925. It was in reply to yours of May 21st and May 27th, 1925, both of which letters were signed by Mr. Budd. We also have Mr. Peter's letter of December 19th, 1925.

Under date of May 29th, an article appeared in the Hongkong Telegraph on the subject of British Vehicles and signed by "Anti-Prohibitionist". The writer of that letter is a Canadian user of and believer in American Motor Vehicles.

Under date of June 5th, 1926, a reply to the previous article on the same subject and signed "Prohibitionist" appeared in the Hongkong Telegraph.

We are enclosing a copy of each of these articles as they reflect fairly well the attitude of the two local opposing camps.

The Hongkong & Shanghai Hotels, Ltd., who own and operate their own garage department, during the latter part of 1926 brought into the Colony and placed into active service, two Studebaker busses. The firm named holds the Studebaker agency. They are one of the very largest local companies and are theoretically at least, an entirely British concern. These two busses are now in daily operation on Hongkong Island. They are running between hotels entirely owned and operated by the Hongkong & Shanghai Hotels, Ltd. To the best of our knowledge and belief, there is no legal distinction between a vehicle in public service between two hotels and a vehicle in slightly different but still "public" service running also on a fixed schedule and for the sole reason and purpose of carrying the public for hire.

In spite of the fore-going however, we rather doubt whether we could get authority to use American vehicles in general public service. The opposition to American vehicles has apparently broken down slightly but we are very much of the opinion that this breaking down of the opposition is rather more apparent than real.

We would greatly appreciate it if you would make all possible capital out of the fact that these two Studebaker busses are running regularly in Hongkong and that their previous rulings against American motor vehicles for public service must be entirely removed.

We would also greatly appreciate an acknowledgement on receipt of this letter together with any constructive information you may have.

Yours faithfully,
THE DRAGON MOTOR CAR COMPANY LTD.

Sir:

As a result of a recent discussion on the Prohibition" against foreign motor vehicles operating for public purposes in Hongkong, I promised to write a letter for favour of publication in the Motor Section of the Telegraph.

The discussion arose from an allegation that certain interests in the Colony had decided to abandon a scheme to place modern motor buses on the roads (subject to permission being granted, of course) solely on account of the fact that the Government insisted that vehicles be according to a certain specification and, wholly manufactured within the British Isles. (Please note that Canada is not British within the meaning given to the term by the Hongkong Government.

Now, Sir, while I am a staunch believer in the benefits to be derived from judicious Imperial preference, I am strongly opposed to any form of trade compulsion such as that which is apparently being exercised by the Hongkong Government, when such compulsion has the effect of retarding communal progress. I am assured that prices of motor buses made in England are so much greater than thoroughly reliable vehicles made in other parts of the world (Canada included) that an adequate return cannot be assured those who have the enterprise to provide public transport services here. If, on the other hand, Canadian or American vehicles are allowed, there are several types which are thoroughly reliable, and which can be purchased at prices which would allow cheap fares, and yet at the same time, yield a reasonable and safe return to the proprietors.

The standard of quality as represented by the British product is unquestionably high, but the day has long since passed when the purchase of foreign machinery was attended with risk. The "White" motor busses which have been running daily in Hongkong for the last few years, provide eloquent tribute which cannot be denied to at least one type of American bus.

Those of your readers who have visited the United States during the last two years, will agree that motor traction has reached a remarkably high state of efficiency in that country, and if the British manufacturer is to compete fairly and successfully, he must realise that he has got to build vehicles which will compare in price and performance to the American vehicles. The cry of "Quality first" has lost its appeal, for the simple reason that it is no longer an overwhelming truth.

Naturally, when all things are equal, preference should be given to the British product, but when the difference is so pronounced that the insistence of "British" or none, has the effect of denying the public of modern facilities and thwarting public enterprise, a more reasonable and business-like attitude should surely be adopted.

When a British manufacturer received an order for Motor Vehicles for the Hongkong Government and advertises the fact that he has supplied them, probably neither he nor the public who reads his advertisement knows that foreign competition was not allowed.

(2)

British Vehicles

Such knowledge would probably influence British factories in making a better attempt to give value in line with their foreign competitors.

Apologising for taking up so much of your space, enclosing my card,

Yours etc.

"ANTI-PROHIBITIONIST".

Taken from the Hongkong Telegraph of Saturday June 5th, 1926.

British Vehicles.

Sir:

Your correspondent "Anti-Prohibitionist" rather exaggerates the British manufacturer's inability to compete with foreign countries in the production of low priced motor vehicles. His strictures in the Hongkong Government would appear to indicate that he has an ulterior motive in condemning the stipulation that only British vehicles shall be allowed to ply for public service. As a matter of fact, the stipulation only refers to motor buses, and does not concern hire service cars, which, after all, do ply for public hire. I think I am safe in saying that all garage cars are of foreign origin. Where then, the prohibition of foreign motor vehicles?

Personally I should like to see a little more of the "Support Home Industries" slogan put into effect here. British cars cannot get on to an American market without paying a very stiff duty, and Manila will suffice as a near at hand example of this state of affairs.

Enclosing my card -

Yours etc.,

"PROHIBITIONIST".

FEDERAL MOTOR TRUCK COMPANY

MANUFACTURERS OF

**FEDERAL
MOTOR TRUCKS**

CABLE ADDRESS: FEDTRUCK

BUREAU OF FOREIGN AND
DOMESTIC COMMERCE

INDEXED

FILE No.

531

China

REPLY TO ATTENTION OF

MR. S. Fitzpatrick

DETROIT MICHIGAN USA

April 27, 1925.

B.F.D.C.
APR 30 1925
7/12

Mr. Percy Owen, Automotive Div.,
Department of Commerce,
Bureau of Foreign & Domestic Com.,
Washington, D. C.

Dear Mr. Owen: Subject: American Manufacturers' Motor Lorries, Hongkong. **RECEIVED IN FILES SECTION**

For your information we inclose herewith, copies of the following correspondence: **MAY 28 1926**

1. Copy of a letter written by the Dragon Motor Car Company of Hongkong to the American Consulate of Hongkong, dated March 20th.
2. Copy of a letter written by the Dragon Motor Car Company to the Federal Motor Truck Company, dated March 26th.

The discrimination referred to in the attached correspondence has, no doubt, been called to your attention by the American Consulate of Hongkong. The Dragon Motor Car Company have for a great many years played a very prominent part in the sale of motor vehicles in Hongkong and we are confident that they would not by any means submit this proposition to us if they were not absolutely certain of their statements.

The writer has been connected with the export of American automotive products for a great many years and while we have encountered discriminations in other forms this is the first time they have ever been based upon the country of origin. I would thoroughly appreciate an expression from you on this subject at your convenience.

Thanking you very kindly in advance for the usual attention that you give subjects of this kind, we beg to remain

Yours very truly,

FEDERAL MOTOR TRUCK COMPANY

[Handwritten Signature]
Assistant Export Manager

SF:BGR

mev

Hongkong, March 20th, 1925

The American Consul General,
c/o The American Consulate,
H o n g k o n g .

Sir:

At the present time this Company represents Graham Brothers and the Federal Motor Truck Company, both of Detroit, Michigan, U.S.A. Both these manufacturers are numbered among the biggest American Producers of strictly high quality, reasonably priced Passenger Busses.

We have at the present time, the definite statement of the Manager of one of the largest local Motor Bus Companies to the effect that he would prefer buying and operating American made passenger Busses, owing to their higher quality and lower prices. He informed us, however, that he could not and would not place and order with us until we were in a position to give him positive assurance that he would have no difficulty in obtaining licenses for the operation of these Busses as public utility carriers operating on a definitely prescribed route in Kowloon, or in the City of Victoria, or on Hongkong Island.

The writer therefore made an appointment with the local traffic officials and on the 17th instant, drove an American made chassis to the Central Police Station, and there demonstrated and explained said chassis to the Captain Superintendent of Police and to the Traffic Inspector. The writer then enquired as to whether it would be possible to obtain a License for an American made passenger bus to operate as a public carrier in the territory under their jurisdiction. The reply was very definite and was to the effect that the Captain Superintendent of Police had received instructions from His Excellency the Governor, that no American passenger busses were to be licensed as public carriers. This statement was later slightly altered to the effect that no foreign (non-British) passenger Busses were to be licensed as vehicles in local public utility.

7 This, as we see it, amounts to a restraint of free trade, We are under the impression that the terms of the Treaty of Nanking under date of 29th August, 1841, ceding the present Crown Colony of Hongkong to the British, states that the Island of Honkong and adjacent territories were to be not only a free port, but that free trade would be permitted and encouraged in every way. As the

situation now stands, this recent ruling against American passenger Busses seems to violate this Treaty. Our reason for this opinion is that although we can bring in an American passenger bus without payment of any duty, we cannot sell or use the same after it has been brought in. In order to fully carry out the terms of this Treaty, it must be not only a free port, but free trade within the port must be permitted.

Our understanding of the situation is, that the local authorities have nothing against the price, quality or performance of American built passenger busses, and that the ruling discriminating against them is made solely to artificially stimulate and promote the British motor Industry.

This Company is the pioneer in the Hongkong Automotive field. The original Dragon firm was established in 1897 and since that time has of course, paid its full share of Municipal and Colonial expenses and all other local charges. This Company has had Motor Cars for hire and for sale as early as 1906 at which time there was a tremendous amount of troublesome and very expensive opposition to the Automotive business in every form. The Company has made steady progress and was incorporated as a private limited liability Company during 1921. We constructed at a cost of several hundred thousand dollars, and have occupied since 1922, the first building in Hongkong to be erected specially for and used solely as an Automotive Sales and Service Station. We feel that we have done at least our full part in the economic development of Hongkong, and now after 28 years of strenuous effort, suddenly find in this free port, that our products are arbitrarily and most severely discriminated against.

As the local distributor for two of the leading makes of passenger busses, we ask no favours whatever, and would most gladly enter our Vehicle in competition with any Passenger Bus, irrespective of country of origin, price or any other particulars.

We do not believe that there is any tenable reason why we should suffer discrimination to the extent of having our clients told that if they buy an American passenger bus from us, it positively will be refused a license, and that such refusal will be solely on the ground of the fact that the said passenger bus chassis was not made in Great Britain. This is the first time we have ever heard of a License for any Motor Vehicle being refused on the sale ground of country of origin. We wonder what a citizen of Great Britain would think and do if he were in America and the American Authorities refused him a license for his English made Rolls Royce Car?

We shall be very grateful indeed for such assistance as you may be able to render us in this connection.

Yours very truly,

THE DRAGON MOTOR CAR COMPANY, LTD.

Signed by: C. Lauritsen,

Managing Director.



Hongkong, March 20th, 1925.

-2-

**RECEIVED IN
FILES SECTION****MAY 28 1926**

that the Island of Hongkong and adjacent territories
The American Consul General,
c/o The American Consulate,
Hongkong.

Sir:

At the present time this Company represents Graham Brothers and the Federal Motor Truck Company, both of Detroit, Michigan, U. S. A. Both these manufacturers are numbered among the biggest American producers of strictly high quality, reasonably priced Passenger Buses.

We have at the present time, the definite statement of the Manager of one of the largest local Motor Bus Companies to the effect that he would prefer buying and operating American made Passenger Busses, owing to their higher quality and lower prices. He informed us, however, that he could not and would not place an order with us until we were in a position to give him positive assurance that he would have no difficulty in obtaining licenses for the operation of these Busses as public utility carriers operating on a definitely prescribed route in Howloon, or in the city of Victoria, or on Hongkong Island.

The writer therefore made an appointment with the local traffic officials and on the 17th instant, drove an American made chassis to the Central Police Station, and there demonstrated and explained said chassis to the Captain Superintendent of Police and to the Traffic Inspector. The writer then enquired as to whether it would be possible to obtain a license for an American made passenger bus to operate as a public carrier in the territory under their jurisdiction. The reply was very definite and was to the effect that the Captain Superintendent of Police had received instructions from His Excellency the Governor that no American passenger busses were to be licensed as public carriers. This statement was later slightly altered to the effect that no foreign (non-British) passenger Busses were to be licensed as vehicles in local public utility.

This, as we see it, amounts to a restraint of free trade. We are under the impression that the terms of the Treaty of Nanking under date of 29th August, 1841, ceding the present Crown Colony of Hongkong to the British, states



ТЕЛЕФОННОЕ СОГЛАСИЕ 8900
СВЯТА АДРЕС "ПАККАРДКАР"

НЕМ ЛОВК

PACKARD MOTORS EXPORT CORPORATION
1861 BROADWAY

NEW YORK



CABLE ADDRESS "PACKARDCAR"
TELEPHONE COLUMBUS 8900

-2-

that the Island of Hongkong and adjacent territories were to be not only a free port, but that free trade would be permitted and encouraged in every way. As the situation now stands, this recent ruling against American passenger Busses seems to violate this Treaty. Our reason for this opinion is that although we can bring in an American passenger Bus without payment of any duty, we cannot sell or use the same after it has been brought in. In order to fully carry out the terms of this Treaty, it must be not only a free port, but free trade within the port must be permitted.

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As the local distributor for two of the leading makes of passenger busses, we ask no favours whatsoever, and would most gladly enter our vehicles in competition with any passenger bus, irrespective of country of origin, price or any other particular.

1961 BROADWAY
PACKARD MOTOR EXPORT CORPORATION

1961 BROADWAY

NEW YORK



CABLE ADDRESS "PACKAR"

TELEPHONE COLUMBUS

WIRE SECTION

MAY 28 1926

-3-

Hodge Brothers,
Detroit, Mich.

Attention: Mr. J. J. Palmer

We do not believe that there is any tentable reason why we should suffer discrimination to the extent of having our clients told that if they buy an American passenger bus from us it positively will be refused a license, and that such refusal will be solely on the ground of the fact that the said passenger bus chassis was not made in Great Britain. This is the first time we have ever heard of a license for any motor vehicle being refused on the sole ground of country of origin. We wonder what a citizen of Great Britain would think and do if he were in America and the American authorities refused him a license for his English made Rolls Royce car?

We shall be very grateful indeed for such assistance as you may be able to render us in this connection.

Yours very truly,

THE DRAGON MOTOR CAR COMPANY LTD

/s/ C. LAURITSEN

MANAGING DIRECTOR

SEATTLE OFFICE:
515 LOWMAN BUILDING

B. F. D. C.
REC'D AUG 15 1925

SEATTLE

August 10, 1925

To: Bureau of Foreign and Domestic Commerce, Washington.

From: Pacific Northwest Office.

Reference your letter:

Subject: British Discrimination Against American Motor Cars in China

INDEXED

I am enclosing a letter from the Dragon Motor Car Company, Hongkong, dated June 3, in regard to British discrimination against American motor cars in that colony.

It would seem that this subject is one which has to do with the protection of interests and could more properly be handled by the Far Eastern Division of the Department of State. I am, however, leaving it to the Bureau for such distribution as it may see fit to make of the representations as presented in this letter.

I shall appreciate the Bureau's informing the Dragon Motor Car Company of its action in replying to the representations set forth.

Julean Arnold
Julean Arnold,
Commercial Attache

Enclosure #34113

225

COLUMBIA STORAGE BATTERIES.
ROYAL ENFIELD MOTOR CYCLES.

PAIGE AND JEWETT MOTOR CARS
HUDSON AND ESSEX MOTOR CARS.

THE DRAGON MOTOR CAR COMPANY, LTD.

REGISTERED HEAD OFFICE AND SERVICE STATION

33, WONG NEI CHUNG ROAD, HAPPY VALLEY.

CODES USED
BENTLEY'S AND GENERAL TELEGRAPH.
CABLE ADDRESS — AUTOIMPORT.



TELEPHONE CENTRAL 1246 OR 1247

HUDSON
ESSEX
CHANDLER
CLEVELAND

Hongkong, June 3rd, 1925.

Julean Arnold, Esq.,
Commercial Attache,
Bureau of Foreign and Domestic Commerce,
Washington, D. C.
U. S. A.

Dear Sir:

We are extremely obliged to you for your letter of April 27th, 1925.

It just happens at the moment that for the first time during the twentyeight years since the Dragon first started business, we are really in need of assistance such as your office can no doubt render.

At the present time this Company represents Graham Brothers and the Federal Motor Truck Company, both of Detroit, Michigan, U. S. A. Both these manufacturers are numbered among the biggest American producers of strictly high quality, reasonably priced Passenger Busses.

We have at the present time, the definite statement of the Manager of one of the largest local Motor Bus Companies to the effect that he would prefer buying and operating American made Passenger Busses, owing to their higher quality and lower prices. He informed us, however, that he could not and would not place an order with us until we were in a position to give him positive assurance that he would have no difficulty in obtaining licenses for the operation of these Busses as public utility carriers operating on a definitely prescribed route in Kowloon, or in the City of Victoria, or on Hongkong Island.

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