

# How the War Has Changed Trade Routes

*The following are extracts from an article contributed to a New York financial journal by Robert H. Patchin, manager of the Foreign Trade Department of W. R. Grace & Co.*

THE trade routes of the world since August 4, 1914, have been greatly altered. Some of the changes are temporary, others will prove permanent or give way to entirely new readjustments after the war. When it is remembered that the Panama Canal had not been opened for traffic before the war began in 1914 and that its facilitation of commerce has been an influence in the changes referred to, the far-reaching revolution in trade routes is better appreciated.

The most striking development, from the standpoint of the United States, can be no better described than in the following communication from John H. Rosseter, vice-president at San Francisco of W. R. Grace & Co. and general manager of the Pacific Mail Steamship Company: "The appearance of a U-boat in the Mediterranean about September 10, 1915, was the forerunner of a change in the Oriental trade route from the Mediterranean to the Pacific. London, Hamburg and Rotterdam had previously formed an entirely artificial channel so far as concerned the great import trade of North and South America, as against the direct ocean route by Pacific gateways and American Atlantic ports via the Panama Canal. This was particularly true as to the East Indies, Siam and China ports, excepting Hongkong and Shanghai, to which before the war trans-Pacific service from North and South America was limited.

"The freighting of Oriental products for American consumption via England, Germany and Holland was built up through many years by entrenched European interests who in turn were afforded special facilities for marketing European products through the direct freighting advantages they thus obtained on outward voyages. All this, notwithstanding the fact that America was the greatest consuming market for several leading tropical products, especially rubber, but including also spices and, of less importance but still providing large tonnage, rice, tin, hides and beans. Our requirements were obtained via Europe; only limited quantities of these commodities moved by trans-shipment from Hongkong.

"The Japanese effort, dating back some years, to make Kobe rival Hongkong, received a great impetus from the withdrawal of British ships from the Indian trades, which Japanese steamers promptly invaded, bringing business to Kobe for trans-shipment across the Pacific.

"Some irregular American steamers ventured last year as far as Singapore, but the Pacific Mail, operating vessels under the American flag from San Francisco to Singapore, Calcutta and Colombo, via Manila, has developed and constantly increased the export trade, while the import cargo has grown beyond the capacity of available vessels to transport. Dutch lines, temporarily diverted from Suez to via San Francisco and Panama, and other Dutch lines operating from Java to San Francisco and return, have been carrying a large tonnage. The Japanese have been handling heavy busi-

ness via Kobe. Hongkong trans-shipment by Pacific Mail and Canadian Pacific steamers and Japanese liners shows a very small increase over the pre-war period, owing to the reduced operation of steamers from India and the Straits Settlements to Hongkong.

"Americans are showing an increased interest in this trade, but more steamers are essential for expansion. National policy should develop Manila trans-shipments, as the British have done at Hongkong and the Japanese at Kobe. Certainly, very large new markets are open to Americans in Java, Sumatra, and the Straits Settlements, also India. The war, having temporarily closed the Suez route from the Orient because of the menace of submarines in the Mediterranean, American imports will continue coming across the Pacific, and certainly the rubber trade, based on the United States' tremendous consumption, is forever released from the indirect route. With such an import movement, exporters will be assured a constantly increasing shipping opportunity as compared with pre-war conditions, when they were limited to costly and uncertain trans-shipment at Hongkong."

Although not mentioned by Mr. Rosseter in the above quotation, the movement of jute required the world over for bagging has become more direct, the bags being shipped direct from the points of production in India to the markets where they are consumed. The proportion of this business which previously had been moved across the Pacific has increased on account of difficulties of trading via the Mediterranean, and Great Britain has skilfully controlled the trade in jute to embarrass her enemy. Where tea was formerly packed and blended in vast quantities at London, the necessity of direct shipment to consuming markets from India and China has resulted in the transfer of these processes to concerns nearer the production of the leaf, while a large amount of rice, formerly mixed and polished in India, undergoes these processes in a more direct line between the producing countries and the populations which are rice-eaters. The amount of rice moving from the Orient via San Francisco to Cuba is a surprise to most Americans.

The benefit to the United States of these changes in trade routes will be very great if taken advantage of, but it should be remembered that twenty years have elapsed since this country came into possession of the Philippines and, although the islands have prospered and American trade with them has increased, Manila is little more important as a trans-shipment point now than it was before 1898. The American flag has all but disappeared from the Pacific despite the tremendous importance of fostering the direct trans-Pacific commerce above described. It is to be hoped that even amid the necessity of providing ships for military transport, the American merchant fleet available for Pacific commerce, linking this nation with important sources of material in Asia, may be strengthened. By reason of their merchant tonnage, their enterprise, and low cost of production, the Japanese have created innumerable new trade routes for the export of Japanese manufactured merchandise and have taken the trade of many markets, particularly in South America and the Far East, formerly held by German articles. It is already apparent that Japanese ships after the war will be seen in many trades to which they were formerly strangers.

## American Trade Relations with China

*The following are extracts from an address delivered recently to the Canton Chamber of Commerce by Julian Arnold, American Commercial Attache.*

The Spanish-American War marked a new era in American history and brought America back again to China, for with the possession of the Philippine Islands resulting from that War, we found ourselves a factor in Far Eastern affairs. Since the beginning of the present century, American interests in China have increased year by year and may be expected to continue even at a greater degree with the conclusion of the present War. We are to-day brothers in a common cause, fighting for the rights of democracy. No people are more democratic than are the Chinese and none are more in sympathy with the ideals which have inspired the United States to enter this War than are the people of China. China is already a substantial participant in the War, for she has several tens of thousands of her men in Europe serving needs created by the War. We all of us hope, however, that it may not be long before political conditions in China become so stabilized as to permit of China's becoming a still more active factor in this great struggle for the rights of democracy.

While my work has essentially to do with the encouragement of the extension of American trade in China, yet I would be stupid indeed if I did not appreciate, as do you, the fact that if America would sell her goods in China, the Chinese people must be able to buy these goods, in other words China must find markets for her products if she would be in a position to buy the products of other peoples. In its final analysis, then, International Trade is but barter. The American people appreciate this fact and on that account rejoice in whatever will assist to bring greater prosperity to China. So we want to see China's trade in the United States increase, as that will be to us evidence of China's increasing ability to purchase our goods.

We appreciate still further that good and lasting results in mutual trade between the United States and China to be that of friends and to be based upon an intelligent understanding of the needs of one country by the people of the other. It would be a disgrace indeed to the cause of civilization if international trade led only to international war. So let us Americans and Chinese cultivate feelings of friendship and strive to make for an intelligent understanding of China in America and America in China.

The American Commercial Commission which visited China and the Chinese Commission which later visited the United States did splendid work in this direction. Last year when I toured the United States in the interests of China trade, I was gratified to find that the Chinese Commercial Commissioners had done more for Chinese American trade and China's prestige in the United States than any other single event in the mutual relations between the peoples of the two countries. Everywhere I heard glowing accounts of the splendid impressions made by your commissioners.

You should send a commission of silk men to study American needs in silk. A commission of matting men to study American needs in matting. A commission of tea men to study American needs in tea. You know China gave these products to the world, yet

where is China's trade in these products to-day in the outside world? America to-day imports \$125,000 worth of raw silk annually, and less than 20% of this amount comes from China. At one time China supplied the United Kingdom with all of its tea, whereas to-day it supplies probably less than 5%. Some years ago China mattings had a big market in the United States, to-day this trade is almost replaced by that of matting made elsewhere. Have these changes been due to inferior qualities of Chinese products? No. China's silks, teas and mattings are in quality as good and probably even better, in fact experts admit they are better than these products produced elsewhere. Where then does the trouble lie? Simply in a lack of knowledge of the peculiar needs of the foreign markets and in marketing methods. America wants her silk so prepared as to be adapted to her big speed looms, and she wants her matting without seams. China teas have been displaced by other teas because of enterprise of other peoples in advertising and marketing methods.

About a year ago Mr. Doudy, representing the American silk manufacturers, came to me in New York to discuss the question of interesting Chinese silk men in better methods of preparation of their silk, to better adapt it to the needs of the American high-speeded machine looms. I told him that in my opinion the Chinese silk producers and manufacturers would meet the requirements of the American looms if they were patiently and intelligently shown what these requirements were and instructed as to how they might make their silk fit in with these requirements. In keeping with my suggestion, Mr. Doudy got the American silk manufacturers to give him some moving picture films setting forth the methods of preparation of silk in countries which meet the American requirements. These, with other material, he brought to China. In spite of discouraging predictions on the part of many of the foreign silk men in China, Mr. Doudy pursued his campaign of education and was gratified with the results, for the silk men not only in South China but also in the Yangtze Valley exhibited a great interest in the subject. Your Chamber should follow up the good work inaugurated by Mr. Doudy. You should show that the Chinese can and will change their antiquated methods. You should encourage the development here in Canton of a first class sericultural school. You should send a commission of silk men to America to study the needs

I am gratified to find the American Consul here so keenly interested in the development of your great city and in the enterprise of your merchants. You may depend upon him to do all that his facilities will permit to assist you in any projects calculated to advance your commercial and industrial interests and to further the trade relations between China and the United States.

I hope that you will also bear in mind that there exists now in the United States two very active China clubs, one the China Club of Seattle and the other the China Commerce Club of California at San Francisco. These organizations are composed of the influential American merchants in these two great western centers of commercial activity. They are striving to make far better, more intelligent, and more extensive relations between the United States and China. They want your cooperation and they wish to cooperate with you.

### The Operations of the U. S. Mint Service

THE annual report of the director of the U. S. Mint for the fiscal year ending June 30, 1917, has been put into book form by the Government Printing Office at Washington; the report also includes statistics of the production of the precious metals during the calendar year 1916. There has been an unprecedented demand during the period under review, for coins of the small denominations, the year's coinage having been the greatest in the history of the U. S. Mint. Not far short of a half billion pieces of subsidiary U. S. coinage were minted, in addition to more than seventeen million coins for foreign governments. Among recent improvements in the mechanical operations of coinage has been the installation of an electrical furnace in the Mint at Philadelphia to be used for the melting of mining coinage metal. Mints for coinage are maintained by the U. S. Government at Philadelphia, San Francisco and Denver; at New York there is an assay office which has a large trade in bars of fine gold and silver; the mints at New Orleans and Carson City have been conducted as assay offices; and assay offices are also located at Seattle, Boise, Helena, Salt Lake City and Deadwood, these being half or purchasing agencies for the large institutions. Refineries are operated at the New York, Denver and San Francisco institutions.

The value of the gold received by the Government at the mints and assay offices during the fiscal year 1917 was \$67,762,377.15, the large increase over last year being due principally to the heavy importations of foreign coin. United States gold coin received for recoupage was of the value of \$10,768,883.44; transfers of gold between mint service offices totaled \$5,874,627.21, making an aggregate of gold received by the mint service during the fiscal year 1917 of \$84,365,887.80.

Silver purchased during the fiscal year 1917 totaled 6,001,087.22 fine ounces, costing \$4,513,757.19, at an average price of 75 1/2 cents per fine ounce; the silver received and repaid to the depositories thereof in bars bearing the Government stamp totaled 22,143,476.9 fine ounces; the silver deposited by foreign Governments to be worked into coin totaled 811,752.80 fine ounces; the United States silver coin received for recoupage totaled 6,174,226.81 fine ounces, with recoupage value of \$8,627,646.32; the Philippine silver coins received for recoupage totaled 1,401,067 fine ounces; the

of the greatest silk importing country in the world, a market which uses annually \$125,000,000 worth of raw silk, less than 20% of which comes from China.

Likewise with your matting industry. First ascertain by investigation why the American consumption of Chinese matting has fallen off so lamentably. If it is because the Canton matting manufacturers refuse to make a one piece mat, such as the Japanese make, then send your matting commission to Japan or America to study the needs of the American market and the way to meet those needs, and then instruct your manufacturers likewise, so that a trade which may mean millions of dollars to Canton may again flourish. So should the Chinese merchants investigate the conditions which have robbed their country of what were once big markets abroad.

China's foreign trade should be ten times what it is to-day. It has the advantage of being a cheap producing country selling into high purchasing power countries. America should be China's biggest customer and can well use ten times as much of China's products as it takes to-day. But to get this trade you merchants must get-to-her and learn to know what it is that is necessary to develop China's and Canton's great trade possibilities in the United States. You must not wait for your government to take the initiative in this matter. Your progressive Chamber of Commerce should take the lead in this matter and set an example for the Chambers of Commerce in other parts of China. This sort of public spirited work should engage your organized attention, for it is the sort of work that pays in big dividends.

transfers of silver between mint service offices totaled 1,231,661.15 fine ounces, making an aggregate quantity of silver handled by the mint service during the fiscal year 1917 of 16,275,677.21 fine ounces. The large increase over last year of silver handled was due principally to the extraordinary demand for subsidiary silver coin and to the placing in circulation of the new design subsidiary silver coins.

The United States coinage for the fiscal year 1917 amounted to \$25,445,148.8, of which \$1,237,040 was gold, \$18,203,907 was silver, \$3,819,496.71 was nickel, and \$2,155,711.68 was bronze. This amount includes \$3,741 in 31 gold pieces struck at the Philadelphia Mint for the McKinley Memorial Association, and represents a total of 4,057,3272 pieces.

There were also coined at the Philadelphia Mint 5575 gold pieces for Costa Rica; 58,000 silver pieces for Colombia; 2,000 silver and 2,800 nickel pieces for Ecuador; 2,500 nickel pieces for Salvador; 100,000 silver and 2,000 nickel pieces for Panama; 1,170,000 bronze pieces for Nicaragua; 50,000 gold planchets and 600,000 silver planchets for Peru. The mint at San Francisco coined for the Philippine Islands 1,544,273 silver, 100,000 nickel, and 2,571,000 bronze pieces, a total of 46,776,313 pieces.

The subsidiary coin United States coinage executed totaled \$1,478,743.4, of which \$517,158.51 was subsidiary silver coins and \$961,584.73 was in minor coins.

On June 3, 1917, the estimated stock of domestic coin in the United States was \$238,584,535, of which \$1,541,281,585 was gold, \$87,827,770.1 was silver dollars, and \$168,822,887 was subsidiary silver coin.

The stock of gold bullion in the mints and assay offices on the same date was valued at \$155,077,082.70, an increase over last year of \$7,580,285.50, and the stock of silver bullion was 1,152,219,810 ounces, a decrease over last year of 78,275,777 fine ounces.

The production of the precious metals in the United States during the calendar year 1916 was as follows: Gold, 8,215,003.3 fine ounces, and silver, 71,214,872 fine ounces.

The amount of gold consumed in the industrial arts during the calendar year 1916 was 851,041.87, of which 221,174.26 was new material. Silver consumed amounted to 32,112,577 fine ounces, of which 2,224,291 fine ounces was new material.

The net export of United States gold coin for the fiscal year ended June 3, 1917, was \$1,124,035.27.

The total estimates for the mint service for the fiscal year 1916, including the office of the Director in Washington, is \$1,733,347, which compares with estimates of \$1,771,200 for the fiscal year 1918 and appropriations for the latter year of \$1,215,787.