

# China Concentrates On Larger Export Trade

## Agencies Assist Improvement Of Native Produce

Expert Traces History Of Foreign Commerce From Early Days Of Dutch And Portuguese

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WITH the whole world facing difficulties of one kind or another in connection with international trade, such as production, under-consumption, or both it is not surprising that China has her full share of anxiety in this connection. She has, in addition, a number of special problems of her own which call for solution, quite apart from those which are now dislocating the world's business and disorganizing the world's markets.

The history of China's foreign trade relations dates back to the early years of the 16th century. The pioneers of European trade in China were the Portuguese, who came to this country in 1516, establishing themselves at Macao. Other foreign merchants who came at various times to share the trade settled in Canton, which city soon became the center of petty trading posts and hongs for Spanish, Dutch, English and French adventurers. The Russians came to China to trade in 1686, but the Americans did not arrive until 1784.

Up to 1834 China had full authority in prescribing the terms on which foreign trade was to be conducted, and traders from abroad were content so long as business was profitable. As time went on, however, differences unhappily arose between the Chinese Government and foreign traders, and an irritating situation led foreign governments to resort to force as a means of opening China to their trade. China's commercial intercourse with the outside world did not assume a position of any importance until 1842, when the first commercial treaty was drawn up between China and Great Britain. From the Treaties of 1842 down to 1871 the terms of the present relations between China and foreign nations were being established. From 1871 these treaty powers assumed a rather active role in China, and until recently the conduct of foreign trade and, generally of tariff policy—has been subject to the dictates of foreign Powers rather than of China.

That China's foreign trade has grown tremendously is clearly shown by statistical returns. Tenacity and persistence are notable characteristics of China's trade. In 1912, the total of China's foreign trade amounted to \$43,617,434 Haikwan Taels. The returns of 1930 showed a total of 2,241,551,424 Haikwan Taels, an increase of over 200 per cent in a period of 18 years! The argument has been advanced that figures expressed in Haikwan Taels cannot be accepted as indicating the real tendencies of trade, on account of wide exchange fluctuations. Converting the figures into gold dollars, however, shows that despite very unfavorable exchange, China's foreign trade has made consistent progress. Taking the figures of 1912 and 1930, for example, the figures for the former year are \$6824,276,901 while those of the latter are \$81,031,112,232.

**Customs Increase**  
Increase in Customs revenue may be regarded as another indication of the development of China's foreign trade. In 1912 Customs receipts amounted to 35,000,000 Haikwan taels, and by 1928 the total had touched the 82,000,000 mark, and in 1930 the revenue returns totalled 180,000,000. Of course, part of this increase must be attributed to the new tariff schedule enforced by the Government, but it would be misleading to say that the increase is entirely due to tariff changes, since the figures have shown a gradual increase over a period of years, as distinct from the sudden rises which have followed upward revisions of the tariff.

The tonnage of shipping entering and clearing a country's ports is usually a fair index to the movement of trade. In China, the expansion of these figures has been phenomenal. In 1912 the tonnage entering and clearing Chinese ports totalled 87,582,718; by 1920 the total had reached 104,266,695 tons, and a further increase of some 50,000,000 tons was noted in 1930.

China's foreign trade continues to show an unfavorable balance—that is, imports are persistently in excess of exports. Last year the value of foreign manufactures and products imported into China amounted to nearly 1,310 million Haikwan taels, an increase of Tls. 44,000,000 over the imports for the preceding year. Exports in 1931 amounted to less than Tls. 835,000,000, a drop of more than 120 million Haikwan taels compared with the previous year. It should be remembered, however, that the increase in the recorded value of imports is largely fictitious, because it is due to a very great extent to the enormously increased cost of foreign goods to Chinese buyers on account of the serious drop in

the value of silver. We may assume, with a fair degree of certainty, that the volume of imports into China last year, as distinct from value, was considerably lower than that for the year preceding.

One very striking feature of the import figures for 1930 is the marked decline in the import of manufactured cotton goods, owing to the development of the domestic industry, a tendency which is likely to become more marked as time goes on. Another remarkable feature of last year's figures—which we may hope will not be so conspicuous in future customs returns—is the enormous amount of foodstuffs imported. This trade is largely the result of crop-failures in various parts of the country, and with the necessity for relieving the distress caused by the terrible floods in the Yangtze valley large importations of foreign foodstuffs are again inevitable, but before long we may hope to see the agricultural activity of China developed to such a degree as to make the continued consumption of imported cereals unnecessary. Thus with the simultaneous expansion of primary and secondary industries in the country, a marked change in the relative position of imports and exports may be anticipated, thereby bringing about a balance of trade which will be more to China's benefit than the existing preponderance of imports over exports.

**Many Difficulties**  
The great progress which China has made during the last few years in regard to industry and commerce must not blind us to many difficulties under which she has been forging her way. She lacks some of the fundamental facilities which count so much in the development of a nation's trade. While it is true that her exports have grown steadily, their character has not been changed, inasmuch as the bulk of China's exports still consist of raw materials and agricultural products. Furthermore, unlike other countries which have elaborate banking facilities for export business, China is in need of the necessary machinery for financing export business. What is more, our merchants actually have to rely on their competitors for shipping facilities, as China has so far little ocean-going shipping under her own flag. Then there is the deplorable absence of large-scale business organizations abroad to take special care of China's trade interests. In the absence of such an organization Chinese interests have to be handled by foreign

agents, who naturally have merely a limited interest in the business they handle. Added to all these disadvantages has been the lack—until recent years—of Government initiative. Most countries nowadays have a special Government Department to foster foreign trade, whose efforts are supplemented by officials specially stationed abroad for the purpose of encouraging new business connections. The service rendered by these trade commissioners and their departments contribute in no small measure to the commercial development of their countries.

Of the internal influences retarding the growth of China's export trade, the following appear to be the most important. First, the nation has suffered from the throes of civil war. Certain sections of the country have been overrun by bandits, who not only seize merchandise in transit, but rob the farmers of their products and means of livelihood. War and banditry are no blessing to communities which have been either temporarily suspended or cut completely, making it extremely difficult for producers to bring their goods to market for export. Owing to China's lack of sufficient means of communication, much of her wealth is locked up in as yet inaccessible regions. Unauthorized exaction of taxes by militarists has also formed a very serious handicap for our merchants in competing with foreign producers. In recent years, China has been repeatedly affected by serious natural calamities especially famine and flood, both of which had unfavorable effects upon production and consumption, thus reacting upon foreign trade.

**External Factors**  
External factors which have to be considered in connection with China's international trade include the depreciated value of silver. The fall in the gold price of silver makes the quotations for Chinese produce and manufactures look very attractive to the buyer whose currency is on a gold standard, but as a matter of fact China has not profited from the slump in silver to the extent which might have been anticipated. There are two reasons for this: In spite of lower prices in terms of foreign exchange there has been a decreased demand for Chinese goods which have been affected by the general trade depression like the products of other countries. Secondly, prospective purchasers have hesitated to place large and definite orders

because of uncertainty as to the future of the silver market. With rates of exchange more permanently established, there would be a good prospect of China's export trade expanding, when business conditions generally improve, but so long as the present uncertainty continues as to the future of silver foreign buyers will not commit themselves to orders which do more than meet their immediate requirements. What verily benefit to China exports might have followed from the slump in silver have been thus largely off-

set, but on the other hand manufacturing industries have been considerably stimulated as a result of the increased cost of imported goods owing to unfavorable exchange.  
**Business Depression**  
The great wave of business depression, which has swept over the whole world, necessarily works against any present expansion of China's foreign trade. The world is in the grip of unemployment, with many factories running on short time and some at a complete standstill. With the purchasing power of the world considerably curtailed, over-production begins to threaten industries. To counteract or rather adjust over-production certain industries begin to pursue an aggressive export policy, that of dumping in foreign markets. The situation is singularly paradoxical in that while the nations of the world deplore the fact that their own home market have been converted into a dumping-ground for the surplus production of their neighbors, they themselves are not slow in adopting this very practice at every possible opportunity. The effect of this aggressive policy upon China will be either to reduce the volume of her export trade, or prevent its proper development.

Since the Great War, the theory of protection has gained much favor. Protective tariffs have been adopted by new States; older States have either strengthened or raised their tariff walls. Even ancient strongholds of free-trade, such as Great Britain and Holland, have made important concessions to the popular demand for protection. These and other similar measures all hamper the growth of international trade, and restrict to a great extent the natural expansion of China's exports to foreign countries. China's foreign trade policy, like

that of all other progressive countries nowadays, is to encourage home industries and develop exports. Generally speaking, the policy of the Government is directed toward correcting the tendency of the past to rely too much upon China's primary industries to provide the necessary funds in exchange for manufactured commodities from abroad. But even in this direction China has not been very successful, for in spite of the fact that the population is so largely engaged in agrarian pursuits, it is necessary every year to import an enormous

amount of foodstuffs. China could be, but is not, self-supporting in the vital matter of food supply, and this can be achieved only by developing agriculture along modern scientific lines. But the development of agriculture will largely depend upon the extension of mechanical methods, and that in turn will depend upon the development of various branches of industry, including the production of metals and their conversion into tools and machines for agricultural purposes.  
**Two-Fold Problem**  
The main problem confronting us as regards to China's foreign trade is two-fold—how to develop our own manufacturing industries, instead of depending largely upon the products of other nations, and how to find markets abroad for such lines of manufactured goods as we can make in competition with other countries. In regard to our home industries, it is obvious that some measure of tariff protection is absolutely essential, otherwise our infant industries, however carefully we may nurture them, will come to an early death. Tariff revision in this direction has been already carried out, with the result that in many lines it is now possible to sell Chinese-made goods of fair average quality at prices considerably below those of the imported article. As our manufacturers gain more experience and become more efficient, there should be an increase in productivity and a decrease in costs, and our home industry will thus gradually grow up from their present infant state to sturdy strength and maturity.

The first necessary thing to bring about the desired development of export trade is the promotion of an active interest in this branch of commerce. There should be more enterprise shown by our business-

men in finding suitable markets for their goods, instead of being content to sell their products through foreign firms established in China. They should become more "export-minded", and take more pains to study the tastes and needs of consumers abroad.

**Commendable Enterprise**  
As a matter of fact, Chinese business-men are showing commendable enterprise of late along these lines. A Foreign Trade Association has been formed, with headquarters in Shanghai, while branches are planned to be opened in all the leading commercial centres of the country. Among other plans for encouraging foreign trade the Association hopes to organize a society of exporters with a view to co-operation among merchants in matters of mutual interest and concern. Another direction in which our business-men are showing their wider interest in world affairs is the participation of Chinese Chambers of Commerce in the activities of the International Chamber of Commerce, established with the idea of promoting international economic co-operation and encouraging friendly and helpful

intercourse between business-men of all nations. These activities are clear indications that our merchants are taking a much closer and more intelligent interest in what business-men of other nations are doing, and the natural consequence of this will be that new ideas will be applied and more efficient methods of management introduced in this country, to the advantage of the enterprising merchants themselves and to the benefit of the nation generally.

In order to prevent possible misunderstanding, it may be well to point out that in wishing to develop her domestic industries and extend her export trade, China has no "anti-foreign" sentiment behind these ideals, nor has she any desire to adopt a policy of economic "imperialism." China simply wishes for the sake of self-preservation, gradually to take what she considers to be her rightful place in the world as an industrial and commercial nation, selling to others what she is able to offer to meet their requirements, and buying from others what she needs herself but is unable to provide.



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**Fostering Trade**  
The National Government, since its inauguration, has done much to foster foreign trade, both directly and indirectly. One important achievement of the Government affecting foreign trade has been the reorganizing of China's tariff autonomy, and the conclusion of new commercial treaties with most of the Treaty Powers. The reformation of tariff autonomy makes possible the revision of her tariff for the protection of her infant industries; while the conclusion of the new treaties places China on a basis of equality and reciprocity in her relation with the Treaty Powers. Among the countries which have concluded new treaties of commerce are Austria, Germany, Bolivia, Chile, and Czechoslovakia, while Belgium, Denmark, Italy, Portugal, and Spain have concluded preliminary treaties of amity and commerce with China. A Sino-Japanese tariff agreement has been signed which in due course will be supplemented by a new commercial treaty, and there has been an exchange of ratifications of a Sino-Dutch treaty regarding tariff relations. It is to be hoped that those nations which have not yet concluded new commercial treaties with China will soon be able to do so, inasmuch as this change has not only a very vital bearing upon China's foreign trade, but also upon her national honor and prosperity.

In order to facilitate and encourage direct foreign trade, the Government has decided to appoint commercial attaches or trade commissioners to be stationed in the principal financial and commercial centers of the world. During the past few years China has dispatched delegations to important world conferences, such as the congresses of the International Chamber of Commerce at Amsterdam and Washington and the International Raw Silk Technical Conference held in New York.

**Exhibits Held**  
Important exhibits of domestic goods have been held in China's leading cities, including Harbin, Hankow, and Shanghai. On all these occasions our merchants and commercial bodies showed great enthusiasm in supporting the Government's effort to promote trade. China also participated in the International Exposition held at Brussels, Belgium, last year. Far more important than any of the exhibitions already held in China will be the forthcoming International Industrial Exposition to be opened in Peking on April 1, 1933. This exhibition will be held under the auspices of the Ministry of Industries, and it is to be hoped that a full range of Chinese products from all parts of the country will be displayed. Foreign nations will be also invited to participate. Plans for China's participation in the International Exposition to be held in Chicago

in 1933 are also being considered. The Government assigns the work of popularizing Chinese products among foreign buyers to a special Bureau known as the Bureau of Industrial and Commercial Information. This Bureau publishes "The Chinese Economic Bulletin" (weekly) and "Chinese Economic Journal" (monthly), both in English, and the "Economic Journal" (fortnightly) in Chinese. Special booklets and pamphlets dealing with various aspects of commerce and industry are also published from time to time. Through its publications the Bureau has consistently discharged the function of disseminating information calculated to interest the outside world in the commercial and industrial potentialities of China, making this country better known as a source of supply of raw materials and manufactures, and as a market in which to offer for sale foreign manufactured goods. Articles dealing with China's mineral resources, agricultural and industrial products, and commercial activities have been regular features of the Bureau's publications. The Bureau invites inquiries from people desiring to obtain information relating to the commercial and industrial affairs of China.

**Bureau Established**  
In order to put Chinese goods on an equal footing with the products of other countries, the Government established Bureaus of Inspection and Testing of Commercial Commodities in the leading export centers of the country. By a system of rigid inspection, these Bureaus not only enhance the reputation of China's products by eliminating fraud and adulteration, and removing other objectionable qualities, but they also encourage the general improvement of trade standards by conducting educational and research work in addition to the actual inspection of goods for export.

In order to invoke the aid of practical business-men and experts in the formulation of policies and programs for industrial and commercial development, and to pave the way for closer cooperation between the Government and merchants, the National Industrial and Commercial Conference was held at Nanjing on November 1-8, 1930, under the auspices of the Government. The Conference had for its main object the adoption and enforcement of new industrial and commercial activities of the government, and the acceleration of general economic development of the country.

**Foreign Trade Bureau**  
The most important step taken by the Government recently in the direction of developing China's foreign trade is the decision to re-organize the Bureau of Industrial and Commercial Information into the Bureau of Foreign Trade. Regulations governing the establishment and activities of the new Bureau have been approved by the Executive Yuan and promulgated by the Government. Briefly, the Bureau of Foreign Trade corresponds to the Department of Overseas Trade established by the British Government, and the Bureau of Domestic and Foreign Commerce in the Department of Commerce of the United States Government. The work of the new Bureau (which will be established in Shanghai) is to investigate Sino-foreign commercial conditions, to foster export trade, and to promote the economic welfare of the people, thus assisting to realize that principle of economic democracy laid down in the "San Min Chu Yi" by the late Dr. Sun Yat-sen in his comprehensive plan for national reconstruction.

The Bureau of Foreign Trade will function through four departments, namely: General Affairs, Direction and Information, Statistics, and Editorial Departments. The Direction and Information Department will formulate measures to promote as well as to guide direct trade with foreign countries. It will seek improvement in the quality of all export products, and offer encouragement to those engaged in the export trade. Chinese merchants traveling abroad or foreign merchants visiting China on business will be accorded all possible facilities by the Department. Other functions of the Department include the protection and supervision of international trade organizations, promotion of the shipping industry and marine insurance business, selection of exhibits for international and domestic exhibitions, supply of information concerning export and import tariffs, and to devise ways and means for the prevention of dumping from abroad. The statistical department will compile data concerning market conditions abroad in relation to China, conditions of export trade in various parts of the country, commercial and financial conditions in China and abroad, and the compilation of price-indexes. The editorial department will compile information on foreign trade for publication in cell and edit articles on foreign trade from special contributions compiled Foreign Trade Year-Books, and other publications on foreign trade. The Bureau will invite to serve as honorary advisors well-known Chinese and foreign merchants engaged in foreign trade or financial enterprises, experts on foreign trade, customs tariffs, statistics, etc., and persons who have rendered special service to the development of China's foreign trade.

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