

will continue unfavorable. The tea trade, for instance, depends on Russia. China cannot sell her tea to Great Britain with the *ad* differential in favor of Indian teas. America prefers Indian teas, but the greatest factor in that market is improper packing and lack of advertising on the part of the Chinese producer. China can, however, sell her teas to Russia and in sufficient quantities to compensate for the loss of other great markets. But Russia does not pay for tea in gold, and China cannot accept the doubtful currency in vogue in the Russian markets. The result is that Hankow and Kiukiang suffer as trade centers and the tea industry of China is steadily going backward.

GERMANY, however, is the real factor in the resumption of normal trade conditions here. The German was an early consumer of China's natural resources, but even more important is the position of Germany as an industrial nation with an insufficient supply of natural products within her boundaries. She must obtain her natural products in a country where they are still comparatively cheap and China is just such a place. The economic hinterland of Germany, which normally includes all of Central Europe and a goodly part of European Russia, is today closed to the exporter of natural products, due not to an over-supply but to an inability to pay for commodities in an acceptable currency. Until the currencies of these countries can be normalized, business the world over will be unfavorable.

BUSINESS IN CHINA is still bad, perhaps worse than it has been at any time since the world panic, of 1908. The bumper crop of this harvest, which ordinarily would have brought such wealth to the villages and such buying of imported piece goods and lumber will have to be consumed locally at prices altogether below the export value of the commodity. And imports will stay out of the land, because the purchasing power of the people is lessened. China is part of the world economic system and is as seriously affected by the question of Reparations as France and Germany. Foreigners blame the chaotic condition of the country for the unfavorable business situation. Except for isolated districts, like Hunan and the Szechuan-Yunnan frontier, Chinese politics has in only a small way affected business. It is true that goods and silver are not being shipped to Kwangtung and Kwangsi because of a fear of bandits and pirates. But bandits and pirates operated before this, and goods and treasure used to be shipped. Goods are not being shipped because the purchasers will not buy, and they do not buy because they cannot sell.

UNTIL the Reparation question is settled in Europe and until the Sino-Russian trade recommences, business conditions in China