

Trade between America and China--Past, Present and Future

BY SHU-LUN PAN

FROM time immemorial China has been an alluring market to the traders of the world. As early as 166 A.D. the representatives of the Roman Emperor Marcus Aurelius Antonius reached China, attempting to establish direct commercial relations between these two great empires of the world. Chinese silks and teas had become known to the Western traders when most of these traders were still barbarians. Greeks, Persians, Arabs, Portuguese, Spaniards, Dutch and English, all journeyed eastward at one time or another, by land or by sea, to share in the lucrative trade with China. Although the United States established direct trade with China nearly a century and a half ago she is nevertheless one of China's newest acquaintances in her foreign trade market.

The Early Closed-door Policy of China

At an early period the door of the "Celestial Empire" was thrown wide open for international commerce. All the neighboring countries in Asia carried on free and regular commercial traffic to and from China. No restrictions were then necessary. It was not until a comparatively recent date that restriction of trade to the single port of Canton was adopted as a measure similar to those which commonly inspire nations today to enact a prohibitive tariff law and declare against free trade. China's self-sufficiency was another reason for her adoption in former times of a restrictive policy toward foreign trade. The extent and variety of her soil and climate, happily situated as she is between the extremes of heat and cold, partaking of the advantages of both, without experiencing the inconveniences of either, enabled China to supply herself with whatever the world could produce, whether to minister to her necessity, comfort or luxury. Satisfied with this prodigal bounty of nature and averse to being disturbed by the restless Europeans, the peaceful Chinese long considered the opening of any of their ports for the interchange of their commodities as a favor bestowed upon foreigners and as a nuisance to themselves. But such a restrictive policy proved distasteful to the foreign traders, who had enjoyed the profitability of trade with China and resented its artificial limitation. Toward the restoration of the free movement of Chinese trade, nearly all the Western peoples were directing their efforts during the forties and fifties of the last century. In this undertaking the United States had no small share in connection with Great Britain, France and Russia; but while others went so far as to resort to force she used only peaceful measures.

Rapid Growth of China's Foreign Trade Following the Opening of Her Door to Western Commerce.

Notwithstanding the old restrictive policy of China's Chinese foreign trade fully lived up to the expectations of its early American and European promoters, having been more than trebled in the thirty years from the date when the first Sino-American commercial treaty was signed at Wanghia in 1844. It was during these thirty years that Americans as well as Europeans exerted their greatest efforts to restore the free movement of trade with China. From 1874 to the present time—a period of just half a century—the foreign trade of China has been growing with even greater rapidity. The value of total net imports for 1922 was almost exactly fifteen times that of 1874, a half century ago, as shown by the figures recorded in the Chinese Customs returns. A similar growth marks China's export trade. In

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1. In 1874, total imports into China, 64,361,000 H. K. Taels; in 1922, 945,050,000 H. K. Taels, the latter being 14.7 times the former. If computed in U. S. dollars, the increase is not so phenomenal because of the decrease of the gold value of silver. In 1874 the average dollar-tael exchange was 1 H. K. Tael to \$1.58. In 1922 1 H. K. Tael was equal to the value of \$.83. Converting the above import figures into U. S. currency, we get \$99,116,000 for 1874 and \$784,392,000 for 1922; the latter being 7.8 times the former. (Data from the Chinese Customs returns.)

1874 the value of the total exports of China amounted to only one-tenth of that of 1922.²

American Trade with China Shared Same Prosperity

It is gratifying to observe that the trade between China and the United States has shared as a whole in the prosperity of the foreign trade in China. Although the value of trade between the two countries has fluctuated from year to year and from decade to decade the tendency has been invariably on the side of progress, a tendency which is very evident at the present time. Thus, a century ago, in 1821 the value of exports from the United States to China was recorded by the United States Bureau of Statistics as \$4,290,560 of which only \$388,353 represented domestic products, while in 1921 the value of such exports was \$108,291,000 of which practically all were domestic goods of the American nation. In 1821 the total imports from China to this country amounted to \$3,111,951; in 1921, it was \$101,136,000. These 1921 figures were much lower than those of 1920, which are the highest recorded for the whole period of Chino-American trade—\$192,708,000 for imports and \$145,737,000 for exports, respectively. For a realization of the full significance of these figures, it is necessary to take into account the present import and export trade between the United States and Hong Kong, of which a very great part is really Chino-American trade, simply reshipped through that port. In 1920 exports from the United States to Hongkong were valued at \$25,971,000, and imports therefrom at \$45,860,000. Taking a grand total of both imports and exports between the United States and China, including Hongkong, we get the enormous figure of \$410,213,000 for 1920 as contrasted with the total trade of \$7,403,000 for 1821, \$7,651,000 for 1840, \$22,473,000 for 1860, \$27,199,000 for 1880, \$51,898,000 for 1900. The rate of increase is 1, 1.05, 3.04, 3.7, 7.0 and 55.0, every twenty years. It is true that before the World War the development of Chino-American trade was not so rapid as many had expected and that during the latter part of the last century and the first fourteen years of the present century, the American share in Chinese trade was practically dwindling as compared with the shares of some other countries. But the great war of 1914 upset the whole situation and has given an unprecedented chance for the development of American trade with China. In the early part of the nineteenth century British merchants in the Far East controlled more than half of the total foreign trade of China, while the United States held second place in the list of powers having trade relations with China. But as time went on the United States was relegated to the position of a poor third and then a poor fourth. In 1871 fifty-eight per cent of the total foreign trade of China was with Great Britain; nearly eight per cent with the United States, and two per cent with Japan. Forty years later, in 1910, the share of the United States dropped to 6.8 per cent, while Great Britain's share was 34.4 per cent and Japan's 18 per cent. During the ten years since the beginning of the World War the relative positions of the three competitors in the Chinese market have been greatly altered. During the five year war period, 1914-1918, Japan took first place with an average of 31.4 per cent; Great Britain was next with 30 per cent; while the United States was a strong third with 15.1 per cent. During the four years following the war, 1919-1922, the relative positions of these countries have not as yet been changed. Japan has retained her insecure first place with 32.5 per cent, Great Britain has held her own with a share of 30 per cent, while the United States has made a great advance from 15.1 per cent to 20.2 per cent.

Importance of China Trade to the United States

Turning now to the total foreign trade of the United States we can ascertain the importance of her trade with China. In the first half of the nineteenth century trade between China and the United States amounted on an average to about five or six per cent of the total trade of those countries. In 1860 Chinese products imported by the United States constituted 3.84 per cent of the total foreign imports, and American goods exported to China, 1.78 per cent of the total domestic exports of the United States. China was then the seventh best source of goods for American markets and the sixth best customer for American products. But since then, owing to the rapid growth of the total American foreign trade, with a relatively slow growth of trade between the United States and China, the importance of Chinese trade to

the United States gradually declined until checked by the European war. In 1885 Chinese imports into the United States decreased to 2.82 per cent of the latter's total imports; American exports to China to 0.88 per cent. In 1900 these two percentages were 3.18 and 1.10 respectively; and in 1910 they again declined to 1.92 per cent, and .94 per cent. But in the last few years Chinese trade has regained its former importance, with an average of 3.65 per cent for Chinese imports to the United States and 1.77 per cent for American exports to China, a proportion equal to that which they held in the total imports and exports of the United States six decades ago.

Change in the Trade after the Outbreak of the World War in 1914

Such has been the state of commercial relations between China and the United States during the last century and a half. The outbreak of the World War has, as is clearly indicated by the above figures, brought about an entirely new situation as regards these relations. With the dedication of the financial resources of all Europe to the art of destruction and the consequent dislocation of business and industries in that part of the world, not only was the money center of the world shifted to America but the burden of supplying the markets in the Far East was, to a very large extent, thrown upon the shoulders of American merchants and manufacturers. This new situation will have, undoubtedly, a permanent effect on American participation in the trade of the Orient. The increase of American trade interest in China, and the reciprocal manifestation of China's interest in her trade with the United States, coupled with the recent enormous accumulation of wealth in the latter and the industrial awakening that is now sweeping over the former, indicate the vital part which China and the United States are destined to play in the unfolding of the future of the Pacific Ocean as the world's greatest commercial highway.

Significant Features of the Chino-American Trade

In discussing the trade relations between China and the United States, there are several significant features worthy of notice. One of them is the purity of motive which characterizes their commercial intercourse; there is no ulterior aim on the one side and no suspicion on the other. As between them, commerce is carried on with no other consideration than that of the legitimate profits of business. Trade is pursued in the interest of trade, and not for some other purpose and according to some sinister design. The Chinese are strictly a peaceful business people with a keen business sense. They perceive and appreciate their value and therefore do not hesitate to reiterate and reiterate their desire for closer commercial relations with the United States.

Interdependence and Identity of Interests

Interdependence and identity of interests is another gratifying feature of Sino-American trade relations. Since the interests of China and those of the United States run along parallel lines with a peculiar consistency, there is no fundamental conflict or clash to mar the development of their commercial intercourse. China wants more trade with the United States and the United States also would like to have more trade with China, each recognizing that increased trade between them would result in benefit for both. In fact no two countries could be better qualified than China and the United States to cooperate with each other in bringing about the realization of the immense possibilities of trade in the Pacific Ocean, and in effecting the economic development of East Asia, to the mutual advantage of both China and the United States.

Dependence of the U.S. on China Market for Further Development of Its Foreign Trade

It is no exaggeration whatever to say that further development of the foreign trade of the United States in the future will largely if not entirely depend upon the development of her market in China. China, in turn, if she desires to have her immense resources rapidly developed and her vast population enriched must look first to the United States for the initial capital, for all sorts of materials and machinery, together with instructions and advice, and finally for an unlimited market for the raw or semi-finished materials which a developed Chinese industry will turn out in the near future and of which American manufacturers will feel great need.

China is a vast country with a population of four hundred millions and an area as great as that of Europe. Her growing taste for western culture has developed a demand for foreign articles and commodities, a great number of which the United States is well able to supply. China is acknowledged to be the greatest potential market for the traders of the world in general and for those of the United States in particular. To mention some of the

2. In 1874 the total exports of China were 66,713,000 H. K. Taels; in 1922, 654,892,000; the latter figure being 9.8 times the former. Converted into U. S. currency this amounts to \$102,738,000 for 1874 and \$54,560,000 H. K. Taels for 1922, the latter figure being 5.3 times the former.

3. Including British India, but excluding Hongkong

4. Including all their respective colonies.

articles which command a market in China, consider the quantity of cloth needed for clothing the four hundred million bodies; the number of pairs of boots and shoes for providing them with footwear; the amount of kerosene oil for lighting their homes; the cigarettes for Chinese men, and laces, trimmings, perfume and cosmetics for Chinese women! This is not an empty hope, but a fair inference from the trade returns for the last few decades. Half a century ago, in 1870, the value of cotton goods imported from foreign countries was twenty-two million H. K. Taels; in 1922, it was nearly two hundred and fifty million H. K. Taels. The quantity of kerosene oil imported in 1870 was one hundred and eighty-two thousand gallons; fifty years later it was two hundred million gallons. In 1870 the amount of tobacco and cigarettes imported was so insignificant that it was not separately recorded in the comparative table of the Chinese maritime customs, but in 1922 it was forty-two million H. K. Taels. Many other articles experiencing a similar expansion could be cited, simply to lengthen unduly the paragraphs of the present discussion.

Producers' Goods

Turning our attention to producers' goods, we find the expansion of Chinese demand for them is even more significant than that for consumers' goods. Consider the amount of machinery needed for the factories which the great industrial movement just inaugurated is sure to create, and the quantity of steel rails, locomotives, freight and passenger cars and motor vehicles, motor boats and other electric materials necessary to provide the nation with adequate facilities for transportation and communication! In 1870 the value of metals and minerals imported was less than four million H. K. Taels, but in 1922 it was more than forty million H. K. Taels. In 1870 the importation of machinery was so small that the figures were included in those for iron and steel manufactures, while in 1922 it amounted to fifty-one million H. K. taels. In 1870 practically no cars and carriages were imported into China, but in 1922 such imports were valued at seventeen million H. K. Taels. Electrical appliances, machinery, etc., increased from nothing in 1870 to ten million H. K. Taels in 1922, chemicals, drugs, dyes, etc., from forty thousand H. K. Taels in 1870 to twenty-five million H. K. Taels in 1922. To limit the length of this paragraph, we have to be content with only these few typical examples.

In spite of this phenomenal increase in the imports of China, the value per capita is still less than two dollars in United States currency. In this amount the United States shares to the extent of forty cents. This means that today each Chinese spends forty cents for articles manufactured in the United States. Insignificant as this figure might seem to be, yet, during the years after the war, the United States has sent goods to China annually amounting to an average value of more than \$150,000,000, of which cotton and cotton manufactures took about \$10,000,000; steel and iron machinery, \$20,000,000; other steel and iron manufactures, \$18,000,000; cars, carriages, vehicles, about \$4,500,000; paper manufactures, including books, about \$3,000,000; tobacco, \$24,000,000; mineral oils, about \$20,000,000. If China imports in future as much as Japan, which now buys about eighteen dollars worth of American goods per head of the population a year, it means that the United States will have a market in China for her products ten times as great as that existing today.

Editor's Note:—Mr. Shu-Lun Pan, the author of the foregoing discussion of the China-American trade considered from the Chinese angle, is a graduate of St. John's University of Shanghai and of Harvard University. The second installment of the article will appear in next week's issue of the Review.