

# China---An Economic Review for 1934

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THE year 1934 was not only another year of nation-wide depression for China, but also worse than previous years. In many imperialistic countries, due to the intensive "war preparations" which do stimulate the development of heavy industries, the situation is somewhat improved, and has given rise to the presumption of industrial revival and prosperity, though such revival is by no means true, and such prosperity is by no means genuine. Yet, in China, there is even no such prospect. Both in the industrial and commercial fields we see unmistakable signs of adversity, with the result that the people are subject to great sufferings and hardship.

## Worse Drought and Other Calamities

The year under review witnessed many of the worst natural calamities, such as drought, flood, famine, etc. According to the official report of the National Agricultural Research Bureau, the crop production, including rice, kaoliang, corn, millet, lint cotton, soybeans, averagely speaking, is only about 60% or 65%, while the direct losses in values to the crops damaged in some ten provinces alone under investigation are being estimated at no less than \$1,445,000,000, excluding other indirect losses. The following table will tell us the disastrous effects of the drought of last summer:

Provinces	% of Affected Area to the Total Cultivated Area	Value of the Crops Damaged
Kiangsu	54	\$218,000,000
Chekiang	53	164,000,000
Anhwei	69	346,000,000
Shantung	38	150,615,695
Honan	37	459,880,000
Hupei	32	86,770,000
Hunan	53	172,718,000
Kiangsi	48	133,244,000

It will be seen that the worst sufferers of the intense drought of the summer of 1934, the worst in the last 60 years, are the Provinces of Anhwei, Chekiang, Kiangsu and Hunan—all of them are the rice-production provinces. Once these province do not produce sufficient rice, the price of rice at once goes up. At the end of the year 1934, the price of rice was almost double that of previous year. The result was the "robbery" of rice from rice shops by group of hungry people—sometime 2,000 or 3,000 strong—is practically of daily occurrence everywhere.

According to most reliable information, in the year 1934 the Province of Kiangsu was short of rice and foodstuffs by 6,000 piculs; Chekiang by 10,000,000 piculs; Hupei by 26,000,000 piculs; Kiangsi by 5,000,000 piculs; Kwangtung by 10,000,000 piculs. That China is an agricultural country, yet she could not produce enough foodstuffs for her people, should be a matter of great concern to us!

To this, we must add floods, which affected 280 hsiens, or more than 30,000,000 mow, in 14 provinces, namely, Hupei, Hunan, Hopei, Honan, Shansi, Szechuen, Anhwei, Suiyuan, Fukien, Charbar, Shantung and Kweichow; and the locusts, which affected 68 hsiens of 8 provinces; and the hail storms, which affected 89 hsiens in 12 provinces.

## The "Cathay" Silk

According to the statistics issued by the Bureau of Foreign Trade in Shanghai, the total export of Chinese silk for the three seasons for the year 1934 amounted to less than 5,000 piculs, or only about half of the amount of export of silk in the corresponding periods in the previous year. The price of Chinese silk per picul dropped from \$1,600 to \$400 (dollars) in 1934! There is no wonder that out of 180 silk filatures in the Provinces of Kiangsu and Chekiang, 110 had to close down; out of 108 silk filatures in Shanghai, 75 had to close down in the spring of the year 1934, and another 19 had to close down in the latter part of the year, leaving only now 14 in existence; and out of 17 filatures in the Province of Kwangtung, 14 had to close down. We do not like to go into detailed discussion of the causes and the effects of the unemployment, but much can be said that silk is the Chinese chief product, for which China has been enjoying a reputation from the very earliest time, but now this Chinese industry is almost killed by the Japanese competition on one hand, and the world-wide depression and the production of artificial silk, on the other.

Under such circumstances, it is only natural that cocoons, which are one of the important Chinese agricultural industries, are is now in an appalling state. The highest price for the best cocoons for 1934 was only one-third of the price for 1930!

## The "Cathay" Tea

Tea is another chief Chinese product. In case of silk, if the silk could not be exported, the producers can use them to make Chinese satin and cloth. But in case of tea, once the export is curtailed, the industry has to collapse. This is because the consumption of tea by the Chinese themselves could not be increased

in very great degree; and the only way is to find a foreign market. Again, due to the competition from Japan, India, and Ceylon, the Chinese tea is almost out of foreign markets. Russia is one of the big consumers of Chinese tea. Yet from the statistics, we find the export of the Chinese green tea to Russia from January to October, 1934, amounted only 407,937 gold units, while that for the previous year was 1,074,595 gold units, making a decrease of more than half!

## Other Industries

Turning to the other Chinese handicraft industries we find that they are equally in an appalling state. Take for example the "nankeen" in Kiangsi. In 1930, the producers in the Province could sell about 3,200,000 pieces; but in 1931, only 2,900,000 pieces; in 1932, only 2,000,000 pieces, and in 1933 and 1934, it was still less.

The manufacture of Chinese native rugs in Peiping, which is one of important industries in the North, has also proved a poor business.

Turning to the cotton textile industry, it has been in a bad state. Up to the later part of the year 1934, there were still 89,644 bales of cotton unsold in the godowns. In the first half of the year, 13 cotton mills had to close down, and 3 mills had to suspend night work, while many others had to cut down employees as a means to carry on operation.

Though in the later part of the year, some cotton mills had increased their workers, this was only temporary, rather than a sign of the revival of the industry.

Possibly, one of the Chinese industries which still could make a profit in the year 1934 were the flour mills. There are altogether about 83 flour mills in the country (excluding Manchuria), producing about 82,000,000 bales of flour annually. During the first half of the year, this industry suffered also from depression. In the second half of the year, it was in much better condition. Prices had gone up. But it must be pointed out that this is by no means a healthy sign of industrial development, for the demand for flour was increased for no other reason than that due to the unprecedented drought of the summer, the Chinese farmers had failed to produce ordinary quantities of rice, and the masses had to use more flour in their food.

## China's "Invisible Import" & "Invisible Loss"

If we turn to the economic condition of the Chinese overseas in different parts of the world, we find that they are equally in financial distress. The rubber industry is now in a very bad state. One of the results is that there is a great decrease in Overseas remittances of money to China, which constitutes China "invisible import," and which apparently has now turned out to be China's "invisible loss!", as the following figures—the remittance of money by the Chinese overseas in Siam to Swatow—will show:—

Years	Sums
1927	\$15,500,000
1928	34,600,000
1929	36,600,000
1930	33,200,000
1931	19,700,000
1932	16,800,000
1933	14,900,000

## Drain of Silver

During the past, for many other reasons, we have seen the continuous drain of silver from the rural and interior of China and the overwhelming accumulation of silver in the commercial ports, particularly Shanghai,—a situation as undesirable as harmful to the healthy economic and industrial development of the Chinese. The large portion of the silver so accumulated has gone, not for productive undertakings and the development of Chinese domestic industries, but largely goes to the speculative business—buying government bonds, which are entirely non-productive; and partly, putting up one magnificent building after another, such as the "Park Hotel" in Shanghai, which are also entirely non-productive for the standpoint of national economy.

Since the American "nationalization" of silver, there has been a constant drain of silver from Chinese ports to America. Despite the government action in imposing heavy export duty on silver, it gives rise only to wide smuggling of silver out of China. According to the Hongkong *Commercial and Labor Daily News*, dated November 11, 1934, the smuggling of silver to Hongkong alone amounts to \$20,000,000! It is not necessary for us to go into discussion other than to point out the fact that the many years of "unfavorable balance of trade" against China has resulted in a drain of silver already serious enough, and China should not allow any more of her silver to go out of her country, which is surely a great harm to the economic warfare of the Chinese masses, and which is sure to produce quite adverse effects upon Chinese financial conditions.

To sum up our economic situation, we can say that China is now facing a "crisis" which for the lack of an appropriate name might well be called "economic suicide" as well as "rural bankruptcy."

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