

NO SOLUTION OF THE CHINESE PUZZLE.

But Better Trade Reports from Shanghai.

By a Special Correspondent.

MUCH has happened in China during 1927, but it is hard to see in all the events of a crowded year any sign of definite progress towards a solution of the "Chinese puzzle." In December, 1926, the British Government issued a memorandum setting out its policy towards China. The memorandum indicated the willingness of this country to adopt a generous attitude and to enter into arrangements which would secure for China many, if not all, of the objectives of her political leaders. It was, no doubt, the hope of the British Government that this statement of their policy would encourage the Chinese to set their own house in somewhat better order, so that they might have a Government competent to negotiate with Great Britain on the basis of the memorandum. It is probable that the British Government rather thought, at the time, that the Canton Governmental party was in process of becoming an authority with which it would be possible to negotiate. Appearances tended to support this view in the new year of 1927. The northern sweep of the Canton armies continued. Hankow had already fallen into their hands and they were making progress in the province of Chekiang, in which Shanghai is situated.

Readiness to negotiate with the Cantonese Government if and when it became an established authority did not imply that the British Government could afford to overlook the danger to British lives and property which clearly existed in the encroachment upon Shanghai of the zone of fighting. It was deemed necessary to send out a defence force to Shanghai to preserve life and security in the settlement in case of adverse eventualities. This step was accompanied by explanations which made it clear that no interference was intended in China's internal struggles. The Defence Force was sent out purely and simply to protect British lives and property in the settlement, which, as the law stood, belonged to Great Britain. It implied no breach of the December memorandum. If proof of this were required it was forthcoming in the action taken at Hankow, where Mr. O'Malley was permitted to negotiate with Mr. Chen, the Foreign Minister of the Canton Government, for the handing over of the British Concession at Hankow.

In the changed circumstances now prevailing it is easy to criticise the abandonment of the Hankow Concession, or to scoff at the good intentions of the December memorandum. All the same, a detached observer must credit the British Government with a bold, genuine, and unselfish effort to

end the deadlock. There were but three alternatives—inaction, military action on a grand scale, or political action of a conciliatory character. Critics everywhere urged the Government to try to do something to improve conditions in China so as to make better trade possible. Widespread military and naval action on a scale sufficient to enforce order throughout China was definitely impossible, on the several grounds of expense in men's lives and money, of moral and political justification, and of inability to maintain indefinitely anything initially achieved by such action. The Hankow Agreement was an honest effort to try out the only remaining policy of conciliation and concession. It has since turned out to be a complete failure, but the blame does not lie in Whitehall nor on the ill-fated Mr. O'Malley or his chief, Sir Miles Lampson, British Minister in Peking.

The main reason for the failure of the policy pursued at Hankow was the break-up of the solidarity of the Canton Government. Their military leader, General Chiang Kai-shek, quarrelled with them and set up an independent Government in Nanking. The authorities left in Hankow, if one may so describe persons whose authority was in actual practice almost negligible, failed to live up to the terms and implications of the Hankow Agreement, and the situation became very much what it would have been if the British had just walked out of their concession and left it to the first comers.

Nanking was the scene of the most distressing incidents which have so far occurred in the present civil war in China. When the Cantonese forces took the city the event was accompanied by looting, violence, and brutalities of a serious character, involving numerous British and American citizens. Later in the year the rival armies became involved in the vicinity of Shanghai, and only the presence of the British Defence Force, and the smaller contingents from other countries, prevented a repetition there of the occurrences at Nanking. In the north military and political events were more or less humdrum. There was a good deal of the usual moving and counter-moving of rival leaders, but nothing which materially altered the situation.

At the end of 1927 news was received of considerable unrest in Canton, where it was alleged that a movement was on foot to exterminate the Bolshevik Russian influences, which have been throughout the mainstay and mainspring of the rise of the Canton Government and its anti-British policy.

In all the confusion of conflicting events and of rival leaders, whose names all seem similar to Western ears

and eyes, it is hard indeed to secure a fair understanding of the present situation and a view of future possibilities. Dates and details of that kind have purposely been omitted from this brief review so as to simplify the task. To summarise the position, it may be taken that we have four main factors to consider. The first is the Canton Government, which is certainly weakened in the fringes of its territorial holding and now seems to be crumbling at the centre. The second is the Northern war-lords, whose hold over Peking would now appear to be beyond the power of any other existing military force to break, unless they in turn suffer from internal disintegration. The third factor is the Nanking Government, if such it can be called, and the fourth is the factor of the Concessions, of which Shanghai is, of course, by far the most important.

It is this last factor which will provide the first problems of 1928 for the British Government. Some of the troops are apparently being with-

Peking, it is hard to see how anything material can be done from our side. The results of the efforts of 1927 in the way of political conciliation scarcely encourage a repetition of them in 1928. Much as we should like to see a settled China and, better still, a united China, it almost appears beyond our power to do anything to facilitate developments towards that end. It seems as though we must allow the wheels of fate to grind away for a time until a more promising setting of the pieces is evolved. We must, presumably, continue to keep up the semblance of diplomatic relations with the shadow power in Peking merely because it was once a capital city and no other place has better claims.

It is said that conditions in the Yangtze Valley were better in the closing months of the year. At different times everything had been at a standstill in this vast area lying inland from Shanghai, and unknown horrors and difficulties had been imposed on a long-suffering population. It may afford a temporary advantage to trade if conditions in that region are in truth more settled, and presumably this is the explanation of better trade reports from Shanghai.

The Lancashire cotton trade has a second problem in China over and above the handicaps arising from civil war. Lancashire is finding that in whatever trade can be done she is losing ground sadly to Japan. This is not the place to discuss the technicalities of that competition, but it is satisfactory to know that action is being taken in Manchester to study it and devise means of countering it. This is a line of effort which ought to command the earnest assistance of everybody in the trade. It is important in any event, but if it should happily occur that the political situation should improve it would become doubly important for Lancashire to be able to take her fair share of the resultant expansion of trade.

As to the political problems, it seems as though we must borrow from the Chinaman himself a little of that patient philosophy which is his principal attribute. China knows, or ought to know, that Britain is ready and willing to deal generously with her when she can put herself in a position to make contracts and keep them. We must do everything to satisfy China that this remains and will remain our attitude towards her. We must do nothing to justify her in thinking otherwise. Beyond this it seems we can only possess ourselves in sympathetic patience and hope for some turn of events not as yet even faintly visible on the horizon.

A RESTIVE STEED.



As seen by the 'North China Herald.'

drawn from Shanghai, but it may be safely assumed that we shall continue to protect ourselves there as we wait for events elsewhere to shape themselves. Hankow and Tientsin present different problems. It can be no secret that many people would like the British to reoccupy the Concession at Hankow, at least until China is able to keep her side of the original bargain. These advocates contend that nothing else will make trade possible in that region, and it goes without saying that Britain wants trade more than anything else. Experiences at Hankow certainly discourage experiments at Tientsin, and discreet inaction should be hoped for there so long as it may be maintained without danger.

As to our relations with the rival Governments of Canton, Nanking, and

JAPANESE CRISIS—(Continued).

from Britain under the separate headings of the principal lines dealt in. Bradford goods have improved a little, though they are still far from what they should be, and there has been an increase in the imports of woollen yarns from England and France, and a corresponding decline in those from Germany. British pulp grows steadily on the import list at the expense of German, while Canadian, on a larger scale, grows at the expense of Swedish. There has been a considerable decline in machinery imports this year—a fact upon which the most enthusiastic import-checker would hardly congratulate the country. There are, however, some who would have a heavy import duty put on machinery in order to make things easier for the Japanese trade in

machine-making, which, in its particular lines, is doing very well without such aid. Some of the imports for the nine-month periods show interesting comparisons:—

From	1927. Yen.	1926. Yen.	1925. Yen.
Great Britain	16,224,038	13,503,121	19,597,804
Germany	13,950,814	8,553,002	9,183,670
Switzerland	3,227,670	3,999,260	4,380,687
United States	24,532,052	32,911,847	29,371,136

There is something very capricious about the German trade. In almost any leading line the figures are found to be very high one year and very low another. In 1926 there was a sudden spurt in motor-cars, but it has disappeared this year. There has been a British increase and a French decline this year, but the United States has 90 per cent of the whole trade, so the rest is hardly worth talking of. While the import of motor-cars shows a steady

and substantial increase, that of petrol (which comes entirely from the United States and the Dutch Indies) has dropped heavily—a matter to be accounted for, in all probability, rather by the manoeuvres of the big companies than by any great variation in demand.

Exports show rather depressing figures, and there is an all-round decline, but one less capricious than that in imports. One of the few bright spots is in the minor industry of match-making, which has shown an increase compared with last year—the first time for a long while that this has been so. Raw silk has kept up very well, and the export of silk goods has increased; but cotton goods have suffered a heavy decline. The trouble in China accounts for the whole of this loss, as well as for most of the heavy loss in yarn exports. Presumably when China settles down again this loss will be made up.

The year came to an end with a

curious flurry regarding finance in Manchuria. Morgan and Co. arranged to lend the South Manchurian Railway some thirty or forty million yen, but there was such a storm in China that the project has been dropped. China does not mind America being interested in Chinese development, but objects strongly to the project once described by Marquis Okuma as "American money and Japanese brains." The late Judge Gary propounded the idea that American money employed for Chinese development was safest in Japanese hands, and China has not forgotten it. As the most vigorous objections have come from Marshal Chang Tso-lin's chief of staff, Chang evidently feels less dependent on Japan's constant support than he is generally supposed to be. But to pursue this topic would lead us away from economics into the realm of high politics.

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