

China's Vast Market Challenges Our Best Commercial Initiative

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It is a fundamental fact that America's commercial and financial destiny lies over the seas. With the gradual saturation of our domestic market, the United States is faced with the vital necessity for a comprehensive, carefully organized and sustained trade and financial expansion beyond our borders if we are to maintain a healthy national growth. It is unnecessary to urge here the extraordinary opportunity for commercial and financial expansion presented by the market in China. These facts are well known.

It may not be amiss, however, to give some consideration to the *methods* by which such expansion in China may best be brought about, in view of the peculiar conditions existing in that country—conditions which obtain nowhere else in the world and which require an accurate and prolonged experience to appreciate and to deal with.

China Mediaeval

We all know of the political and military unrest in China. The China of today resembles Europe of the mediaeval period. It is divided into many different parts, each independent of the others and each dominated by a military ruler who governs as a despot and disposes of the military forces and revenues of the district as if they were his own personal and private possession. The wars of which we hear are simply the struggles for personal aggrandizement and for the control of the Peking government carried on between these military bosses, who, with few exceptions,

are deaf to the appeals of patriotism and indifferent to the real interests of China.

This despotism of a military oligarchy, which has been made possible by the vast area of China, lacking in means of communication, and by the general ignorance, indifference and separatism of the great bulk of its population and by their lack of experience and success in corporate and national organization and finance, has reduced that great country to political and financial helplessness and left it a prey to adventurers of the worst type, so that today the revenues of the central government have shrunk to practically nil and the national indebtedness, while very much smaller per capita than that of any other large nation of the world, has increased to a size which is truly alarming when we consider the small available sources of revenue from which it can be met.

Unfortunately for foreign trade in China, this national indebtedness includes very large sums owed and overdue by the government to foreign merchants, which, in the case of Americans, amount to some fifty million gold dollars. This difficulty in obtaining payment for goods sold to the Chinese government which arises out of inadequate security is a source of the greatest concern to American business men.

Further long delays in securing payment are inevitable, and ultimate settlement will probably come only from the proceeds of the 2½ per cent customs increase

recently granted by the Washington Conference.

Since these added revenues will doubtless be earmarked for some years to come to liquidate these overdue indebtednesses, foreign merchants must exercise the greatest care in conducting any future business with the Chinese government without adequate security.

As these contracts with governmental agencies form one of the most important features of foreign commerce in China and as much depends upon the nature of the security given by the Chinese government, it will be of interest to look, in some detail, into the available sources of revenue of the government. They are in the main as follows:

National Revenues

First: The maritime customs, a national service administered under foreign, in this case under British, control, the proceeds of which must go almost exclusively to the amortization of the outstanding national bonded debt, which is very large. Because of the fact that this revenue is collected in treaty ports and, substantially, under foreign protection, the military authorities are unable to divert it for their own local uses.

Second: The salt tax, another national service, also administered by the British and extensively pledged to foreign and domestic creditors; but, because this tax is, in many instances, collected at inland points and at a distance from foreign influence, by far the major portion is

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withheld from Peking by the local military bosses for their own purposes.

Third: The tax on wines and tobacco; virtually none of this reaches Peking.

Fourth: The revenue of the Ministry of Communications, which is the government department that operates the railways, with the assistance of the British, French and Belgian interests who have built certain of the lines; the telegraphs, with the assistance of a Danish-controlled administration; and the post office, with the assistance of a French-controlled administration. Until recent years the railways paid highly, but the depredations of the military authorities have so reduced the revenues that the railways now constitute a liability rather than an asset to the government, while their physical deterioration, due to neglect during military operations, is giving serious cause for alarm.

Collection Impossible

A minimum of fifteen million gold dollars is needed annually to operate the central government, but, so disorganized are conditions, the government does not receive even a fraction of this small sum and is, in consequence, obliged to search for loans in every direction, both abroad and at home, pledging for the purpose every conceivable asset, sometimes many times over.

This, in the briefest outline, is the situation in China today. Were there no other factors to consider, the outlook for China would indeed be dark. Fortunately, there is a small body of patriots and foreign-educated Chinese who have the best interests of the country at heart and who are working to establish

some semblance of unification, of parliamentary government and of reduction of the staggering burden of coolie armies that fatten on the land. These two forces of corruption and disintegration, of unification and reform, are struggling for control, and, while there are many causes for deep discouragement in the general situation, it is difficult to doubt that, however slow the process, some working solution will ultimately be found. In the meantime, an era of turmoil may be expected, during which period, thanks to the Washington Conference, the country will be assured comparative security in which to work out her problem.

This complexity of this domestic situation presents, however, only one aspect of the problem of American trade expansion in China and, perhaps, not the more serious one.

So powerful has been the allurements of the gigantic potential market of China, waiting to absorb in due course and in vast quantities all modern articles of commerce, that the great trading countries of the world have devoted their most intensive efforts to develop to the fullest their commercial and financial position in China. In this race for place, the British have secured the most powerful position. They have built more railways and factories, have sold

more goods and have administered more important government services than any other nation. However, Japan, France and Belgium, and now again Germany, all have strongly entrenched commercial and financial positions of many years' standing. Their firms are represented by men of the highest quality, who make China their life residence and the development of their respective interests their life service. They approach the problem slowly and carefully, planning for very gradual but increasingly important returns. They enjoy very considerable independence from dictation by their home offices. They maintain the closest possible relations with their own diplomatic and consular representatives in China and are frequently guided by the advice and benefited by the special confidential knowledge received from those sources.

Proper Methods

Now, nothing but similar tactics on the part of the American business concerns can offer successful competition to these established rival interests and win for the United States the position in China which is rightfully and necessarily hers.

The China market is worthy of America's best commercial and financial efforts. It contains

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unlimited possibilities for American commercial initiative, possibly the finest in any foreign country today; but such initiative and such efforts must be applied to the special problem as it exists in China. The present unrest in China is not, necessarily, a deterrent to the development of business. It has not served to weaken or drive away the solid, conservative British, Japanese, French, Belgian or German business enterprises of long standing. It need not, therefore, discourage us, if we play the game as the others play it, and observe the following rules:

Let no American firm or bank attempt to operate in China along temporary lines or expect quick profits. Let only those concerns or banks enter the China field that are prepared to stay there permanently, working slowly from small beginnings, developing a staff of men of the highest caliber, thoroughly trained in Chinese affairs and prepared to devote their lives to this work. Let there be a few strong American concerns upholding the best American business standards, rather than numerous smaller concerns which, in order to maintain their precarious existence, are obliged to resort to methods of competition ruinous to them all. Let support be given to those American enterprises which have already been established in China, of which there are many and for which the future *could* be bright, rather than effort be made to set up any new ones there.

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Southern Pacific Presents Clean Case to Board

"The case for the Southern Pacific was 100 per cent perfect in the recent hearings before the Interstate Commerce Commission," Seth Mann, attorney and manager of the traffic bureau of the San Francisco Chamber of Commerce, declared upon his return from Washington.

"The great preponderance of evidence presented showed that California shippers have everything to lose and nothing whatsoever to gain by the separation of the Central Pacific from the Southern Pacific. The hearings developed much evidence which had not been heard by the courts. For instance, experts testified that it would be a financial impossibility for the Central Pacific to operate as an independent line. The Central Pacific, these witnesses said, has no free property upon which it could raise money, and the company would require \$10,000,000 to be able to function. It would need this money for additional rolling stock and equipment which would be necessitated should separate operation be commanded.

"Contrary to an impression held in some quarters the hearings did not involve whether the Union Pacific should get the Central Pacific. The hearings were concerned with the question of whether the unity of operation of the Central Pacific with the Southern Pacific shall continue until the Interstate Commerce Commission makes final disposition of its inquiries concerning the unification of the railroads of the country."

Printers Trade Board Taking Public Into Confidence

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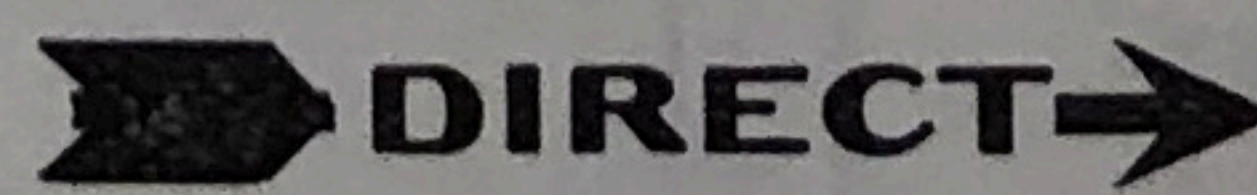
fair play in such a game as recently took place between California and Stanford. But it is organized to set down rules and regulations which will insure fair, energetic, upright and constructive competition, with the feeling and hope that the best man win.

The Printers' Board of Trade has nothing to hide and it has planned an advertising campaign to educate buyers of printing as to exactly what the Printers' Board of Trade is and what it does. We are putting all the cards on the table in these advertisements, so that all the world may look in and read them, which is something that I hardly think is being done by most other associations. We have nothing to hide; any buyer of printing may come to our headquarters and receive full information.

The printing and publishing industry in San Francisco is the largest industry in point of volume, and San Francisco has every reason to be proud of this industry, for it is recognized the world over that we have craftsmen and printing houses that are capable of turning out the best.

Another thing the printing industry should be proud of is the type of men that are to be found in it. We can go back to its earliest days in America, and every one thinks of Benjamin Franklin as the great printer of that day. And we can come on down right to the present time and find occupying the White House in Washington another printer, Warren G. Harding.

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