

unsatisfied, in some distant monastery of the mountains, ever seeking, but never satisfied that they have found, the god whom they pursue, a god who is never near to the seeker, but always elsewhere, and at some distant locality concealing himself in an unsearchable hiding-place.

Among the crowd of pilgrims who have travelled the long trek to India two names are outstanding. Fah-Hsien, in A.D. 399, and Hsüan Tsang, in A.D. 630, were both such notable travellers and accurate observers that their names are inscribed among those who have made a unique contribution to men who record the historical setting of their periods. Both of them were monks of Buddhist orders and both set forth from the town of Changan, for long years spoken of as Si-an-fu, in the province of Shensi, with an unshakable determination to reach the land of the Buddha and study his teachings at their very source. They, like some modern people, had been strangely perplexed by the disputes over doctrine among the theologians, and they therefore went direct to the source to learn for themselves. They had received from Indian propagandists of the faith the urge to spread this knowledge through the land.

It was during the great Han Dynasty, which lasted in one form or another for over four hundred years (202 B.C. to A.D. 220) that Buddhism was first introduced into China, and along with Buddhism came cultural influences from India, from Persia and from Greece.

Long before the West had any notion of the geography of Central Asia the Chinese were well acquainted with the limitless wastes, and these pilgrims contributed to the knowledge by their journeys westward through Gobi and over the mountains round the Pamirs and on to India. Fah Hsien made his escape through the jealously guarded north-west border of the Chinese Empire. He writes of the Gobi Desert: "Here there is a multitude of evil spirits and also of hot winds; those who meet them perish to the last man. Gazing as far as the eye can see to discover a path, there is no guidance except from the bleaching bones of the dead that mark the way." I, also, found bones a useful guide over the same trackless waste.

Hsüan Tsang visited Karashar in order to see one of the processions in which the image of Buddha was carried, and its accompanying escort of priests with gold and precious stones, fluttering streamers and embroidered canopies. To-day the same kind of processions can be seen, and it is most likely that the banners are those which have been preserved with such care by the lamas through the centuries.

Although pilgrimage has become such a recognized part of the Buddhist profession, in the earliest order and scheme of Buddhist monastic life we are told that there was no recognition of the duty or even the advantage of pilgrimage and no sanction was given to the practice, founded, as it necessarily was, on the belief in the continuity of the soul after death. Only when relics began to be distributed and stupas were built over them did the practice come into being of visiting these sites, for it was the desire of men seeking to accumulate merit in view of a future life to make obeisance at such shrines, and to gain prestige among men and virtue in the realm of the spirit by having done so. The habit, however, does not seem to have been encouraged in the sacred books, for

we read "that the heedless pilgrim, far from securing good for himself, only succeeds in scattering the dust of his unsubdued passions more widely than he would have done had he remained at home." There are such pilgrims to-day, men who wear the monastic garb but have not the pilgrim's heart.

There may well have been something which appealed to the seeker after truth in the thought of the lonely and perilous journey which would be involved by travel to some sacred shrine. The dangers to be faced were tremendous; the solitude in itself would surely be something so terrifying as to merit a special reward. Certain it is that Fah-Hsien himself travelled for sixteen years through India and Ceylon, and during that time succeeded in visiting all the principal scenes of Gautama's life and of his death. The story of the desert crossing of Hsüan Tsang is no less remarkable, and is recorded in vivid and dramatic language which speaks of the Gobi as a desert "where is a great multitude of evil spirits and also of hot winds. Those who meet them in their intensity must perish before them."

It is obvious that a road with such a wealth of historical background must be full of interest to the traveller. The road is approached from the Indian side by a journey across the Pamirs, and from the China side by a long trek across the Mongolian sands or the trade route through Sian, Lanchow, Liangchow and Suchow. The traveller to-day would leave Peking and, passing by Kalgan, come to the great so-called Russian Valley, which is always full of carts, carts which carried the amazing luxury tea trade in the days when it was believed that tea was spoiled if it crossed the water. Those carts still come down laden with goods from Russia.

From Kalgan the journey follows the line of the Great Wall, sections of which still mark the old frontiers, and the traveller will make his way along them until he comes to Peiling Miao, the Temple of the Larks. Here it is that all those singing larks are found, in which such a great business has been done in China. Men will tramp for long stages to the Temple of the Larks just in order to secure these birds and put them in cages. When he has secured his bird in a cage, its owner will take it home and listen to its beautiful singing, and then every day take it for a walk that he may teach it to sing.

Some of my Chinese friends have found it difficult to understand why a Britisher takes a baby out in a perambulator when it might just as well be left in its home garden. It really does not gain anything by being moved from one street to another. Perhaps some Britishers have found it equally hard to understand why the Chinese takes his bird in a cage for a walk. The reason is quite obvious: he is teaching his bird something—to sing—and so he takes it to new surroundings, and when it sees new things its desire to sing is awakened, and only so the beautiful singing larks from Manchuria and Mongolia are trained after being brought to all parts of North China from Peiling Miao, the Temple of the Larks.

Near this temple there is another very interesting place which the traveller is able to visit; it is a ruined Nestorian city in Inner Mongolia, which was probably familiar to pilgrims in early times but which was

only rediscovered by Owen Lattimore in 1932. It lies in the famous grazing-grounds of the Temple of Larks, and it was found, as so many other interesting things on this road have been found, by listening to the talk of the people of the country.

Caravan gossip told of a certain nobleman's wife who had been possessed by the spirit of the lord of the ruined city. The nobleman stole some of the bricks from the place to make a palace for himself, and shortly after his wife was possessed by a Chitgur, or demon. The husband called in the lamas, who discovered that the demon was servant of a certain blind ruler of that city, and the woman, was the medium for his voice and his reproaches. "You think," it said, "you are a great man, but you are only a great man of to-day." A feast was spread, much food was eaten, honour was satisfied and the woman was healed. Lattimore found this city to measure about one-quarter of a mile east and west, and rather less north and south. Within the site are numbers of mounds, and the bricks are larger than ordinary. Many are marked with a handprint, and standing near the site are stone slabs bearing crosses of the kind known as Nestorian. From Peiling Miao the road leads through the beautiful Edzingol area, which is to-day one of the most coveted parts of the Mongolian plains.

Suchow is the last town within the Great Wall of China and lies only fifteen miles from Kia-yü-Kwan. This is the old city of Chiu-chüan (Spring of Wine) and has very ancient historical records, although the town has been so completely destroyed and rebuilt that it contains little to serve as monument of its ancient associations. Contrary to Chinese custom, it has city gates only in the north, south and eastern walls. Tradition has it that, were its western wall to be pierced with a gate, floods would pour in and submerge the town. Its inhabitants proudly assert, "Kia-yü-Kwan is our western outlet."

Here every traveller has to prepare for his desert journey across the Great Road. He has to change his axle so that the widest possible may be used, and here he has to attempt the impossible—he has to try and find a good carter. The Chinese have a proverb which says, "Of carters there is ne'er a good 'un." It is certainly true. If I set out to get a man who is honest, capable, who understands the beasts he will have to deal with and who will make a happy member of the caravan, not be lazy yet not get me up *too* early in the morning, it will become evident that such a carter is not possible to find. Therefore the experienced traveller looks out alternately for a pleasant rogue or for a more honest man, who is probably so difficult to get on with that all are thankful to see him go.

After leaving Kia-yü-Kwan the road passes over stony ways, utterly barren, and in some places marked with an undulating swell which gives an appearance of ocean billows suddenly brought to immobility. When the gate of the fortress has been shut behind him the Gobi presents one of its more inimical moods to the traveller, and, as was the case with the old Buddhist pilgrims, all must feel the isolation and danger which face them. No friends can locate him, an arduous journey lies just ahead, which, once begun, must be completed. During the stay at Kia-yü-Kwan each traveller is warned of the perils of the way and is told endless stories of

those who have been lost through thirst, or have followed voices which lured them from the direct path and never led them to the right road, but always away from it. "It is between Ansi and Hami that you will find the mirage of glittering sand," the old innkeeper will warn the wayfarer, "but the voices are worst in the desert of Lob and in the approaches near Turfan."

The night stage from Kia-yü-Kwan westwards lends colour to these weird tales, for somewhere about midnight the animals stand to rest a while at the crumbling entrance to a deserted town where streets are discerned and the ruins of buildings which once were dwelling-houses of men but where now no vestige of life remains. The suggestion of a haunt of demons is too strong to be thrown off, but when the first oasis, Moslem Tomb Halt, is reached, it seems as if the bad dream of the night is dispelled, for here are normal men and women leading normal lives, and the sight of clear water running down from the hills through the village street is refreshing to the body and stabilizing to the mind. The Tomb of the Moslem contains the body of a famous Moslem envoy, one of three companions who reached Central Asia from Arabia, and two of whom died in lonely wayside oases.

Many of the oases have some individual product of which their inhabitants are inordinately proud. Moslem Tomb Halt, for example, supplies a special quality of sand which is used for a process in the polishing of jade, and thus, small as this hamlet seems, it is known to the craftsmen of Peking who make use of that sand.

Jade Gate lies next on the old pilgrim road, and its well-repaired city wall, with the little light tower at the southern angle, is an outward sign of the self-respect and decorum of its inhabitants.

Quite another is Ansi, which bears the ideograph of peace in its name but which battles with incessant winds, and, were its inhabitants to cease fighting the invading sands, would shortly be smothered by their encroachment. It is the ancient town of Kua-chow (City of Melons). At the present city of Ansi, on the left bank of the Suleho, is the parting of the ways—one path leading off towards Tunhwano (Blazing Beacon) and the other leading to Hsing-hsing-hsia, the Valley of Baboons. This point is said by geographers to mark the centre of Asia, and here the trade routes intersect, and caravans with their varied cargoes arrive from Paotow on the Yellow River, from Khotan where the precious jade is found, from Aksu and Turfan renowned for cotton and dried fruits, and from Chuguchak, from which the great carts bring Russian textiles and metal goods.

From Ansi even the most abstemious pilgrim must start heavily laden with provision of bread and with a full water-bottle, for there is no wayside food for many a day on the road towards Hami. There can be but little difference between the things which the old pilgrim Hsüan-Tsang saw and those which I have seen. Time has been moving at its proper pace in the Desert of Gobi, and the centuries have passed slowly, not in a series of jerky changes, but in a dignified record of the generations of those who have crossed its wastes and who have been disciplined by its austerities. Every pilgrim across the old Buddhist road would be urged to visit Tunhwang and make the small detour of four or five days'

journey to see the Caves of the Thousand Buddhas and the School of Disciples, always controlled by a famous abbot. These Caves of the Thousand Buddhas have now secured world-wide reputation, largely thanks to the writings of Sir Aurel Stein and Professor von la Coq. But it is only in recent years that the caves have been re-cared for and the little oasis re-made a place of beauty.

Hsüang Tsang cared for none of these things. To India he would go, and in order to avoid the Barrier which he must pass on the main road, he crossed the Suleho ten *li* from the watch station, always looking for the desert landmarks and watch towers. I have been over that same road and for the same reason—I, too, wanted to avoid the Barrier and the watch towers.

The great road between Ansi and Hami lies across Black Gobi, so called because of the small black stones which cover its surface. Here Hsüan Tsang nearly lost his life through lack of water, and later on was a target for the arrows of the frontier guard when he attempted to go forward. He, as every other traveller on the road, must have passed Hsing-hsing-hsia with fear, for it is an eerie place where thousands of enemies might hide in the rocks and clefts of the rocks. To-day every advantage has been taken of its rocks for purposes of camouflage, and no one is able to detect whether there are men behind the upstanding rocks, so alike are the stone-like men and the man-like stones.

I was travelling on the old road not so long ago when our party came upon three men, apparently asleep in the shade of one of the rocks. To my horror and amazement, my Chinese Christian companions rushed upon the men, held them and took from them a large iron-headed mallet. I was assured that the feigned sleep was but a trick to deceive us, and had the men not been dealt with summarily we should have been attacked and robbed. Such bands of ruffians have always travelled on Asia's great highway, and early pilgrims suffered from their attacks as does the modern missionary.

Hsing-hsing-hsia is the frontier station in Turkestan. I have seen it held by a force of a thousand troops, I have been feasted in its *yamen*, and I have seen it in ruins with none but ghosts to keep me company. The name of Hsing-hsing-hsia is derived from ideographs.

On either side of Hsing-hsing-hsia are small oases, and the charm of the names of these water-holes is very cheering to the wayfarer. Who would not be intrigued by such a name as Iris Well, especially when the flowers are in bloom and a carpet of blue desert iris with green leaves lies at one's feet? Or the Park of Tamarisks—what matter that the word Park be an illusion? There are still a few tamarisk bushes, and when sunset catches the crimson leaf and sets it ablaze with colour it is sheer beauty. The great Asian road prepares for its guests artistic treats—but they must understand the expression of art from an Eastern standpoint; it consists in elimination—not in masses of flowers and trees, but in the unique shape of *one* tree, the charm of *one* spring, the glory of *one* tamarisk bush, or the joy of *one* small patch of blue iris in the midst of barren wastes.

In Gobi all roads lead to Hami, which stands in an important strategic

position, and is dear to the heart of the road traveller because it holds a good supply of water and food which is welcome after days of hardship. The Chinese have always valued this outpost, and showed in the early days their good sense by appointing a man to hold a new post. They called him "The Minister who promotes Agriculture," and promote it he did.

One of the great interests of the road is the cleverly made oases, which have been rescued from encroaching sands by the skilful use of the desert leguminous plant called *haodz*. The road leads on through One Cup Oasis and Cart Wheel Oasis, where the great wild sheep are to be found, and on to Seven-Horned Well, passing over some of the most beautifully coloured stones of the Gobi. I was only able to bring little pieces of the stone home, but I think that this natural colour photo will give you some idea of the sheer glory of the desert flooring—sometimes pink, sometimes red, sometimes greenish and sometimes black.*

Passing over these stones, as I say, we come to Seven-Horned Well, where there are supplies of tamarisk fuel sufficient for an army, and, poor as the place is, it stands at the dividing roads which go across the Tien-shan and ancient city to Urumchi and southward to Pichan and Turfan. The old pilgrims took this more southerly route, and reached the town Pichan or Shan-Shan, known as one of the ears of the Gobi. Its bazaar is colourful and busy, and here are to be seen men and women from many of the tribes who frequent the old road.

The innkeeper is a Moslem, but very kind to the Christian missionaries. He never allowed us to pay for the use of a room in his inn. "No," he said, "you are people of God. I am not going to take money from you." Whenever we went there we were received into his home and always given a shelter.

From here the old road goes on past Turfan, which has always been one of the most interesting of the larger oases. Its extraordinary fertility, its fields of cotton, vineyards of sultana grapes, melons, peaches, nectarines, with every kind of vegetable, all of which can be bought for almost nothing. Such bliss is balanced, however, by the intense heat, which necessitates dug-out rooms in summer, and by the scorpions and the jumping spiders.

Buddhist pilgrims would be refreshed by such abundance after the desolating experiences of the high-roads, but they, as we, must have spent many an hour thinking back over the history of the road on which they found themselves. I have often sat under the walls of the old ruined city near Turfan, called Dakianus, or Ephesus, and taken a mental journey back to the days of Alexander the Great, when armies marched that way and Grecian influence played such an important part in the art and culture of Central Asia. I have dreamt of that city as it stood when, known as Kaochang, it was prosperous and important. Here Hsüan Tsang was detained, and received with such overwhelming kindness that he had to go on hunger-strike to get away.

Perhaps the old pilgrims were offered, as I have been, specimens of

* See *The Gobi Desert*, p. 96.

Greek sculpture, or picked up such a brick, as I have, with a Grecian key pattern on it.

There is one shrine which no traveller of any standing will be allowed to pass by. This is the Tomb of the Seven Sleepers at Tuyok. There seven men are supposed to be lying in a deep sleep waiting for the world to get better. They came out after a thousand years, but found the world was so bad that they went back again.

So we leave the old road, which can tell us so many wonderful stories. It is so old that when the blizzards blow and the track is temporarily obliterated by sand, it always in time re-emerges and reasserts itself by reason of the millions who have trodden it through the millenia. Across its path came Nestorian Christians, to be followed later by the armies of Islam, and across its highways British missionaries also have travelled with the Christian message of hope and goodwill.

The Great Old Road has kept its secrets well, and seen to it that no man or woman penetrates its remoter parts or captures its treasures without paying the price in loneliness, austerity and detachment. If men saw its seemingly unimportant highways in true perspective they would know that he who holds the trade routes and highways of Central Asia controls the pivotal highways of the East. But men do not study the maps, nor do they read the history of such remote desert lands, so Gobi remains solitary and the Old Buddhist Road has been undisturbed by aggressors throughout long centuries.

Then suddenly and rudely the twentieth century and its so-called progressive civilization broke in on it. A new name was given to part of the old road and it became the Red Highway, and pilgrims must needs avoid it by taking a long by-way lest they be suspect. The old caravan *bash* sees his business departing and sends his sons to take what they call a course for technicians in some distant town, where they put off sheep-skin coats, don a uniform and drive a gas-car. These boys no longer care about the best grazing-grounds of camel thorn, and the wild chives have no longer any interest for them. The old rocks, which have been landmarks for centuries, are blasted in order that the "gas-cart" should pass easily over them; but their fathers and uncles, men of a former generation, still sit in their tents and smoke their long pipes. But if, one day, they hear the ding-dong of a camel caravan bell, something within them stirs and they must be out and off, where the silences and spaces of Gobi call them.

The sounds and sights of Gobi create a fierce nostalgia and, having talked with you of the desert I love so well, I would that I might be transported from this door to lovely Turfan—not for the sake of either its fruits or its spiders, but that I might walk out into the Gobi which surrounds it and enjoy its spaces and its silence on the Old Buddhist Road, and carry on my work as a pioneer missionary, sit and talk to the people by the roadside, get a group round me in some small oasis and tell them the Christian message, and then be welcomed into one of the larger oases by the group of men and women who are joined to me by the closest ties that there can be, for they, with me, have become members of the Church of Christ.

A MEMBER: May I ask Miss Cable what language or languages are most useful?

MISS CABLE: Chinese will take you almost anywhere in those parts, but it is also necessary to know Turki, which is something like Persian and written with Arabic characters. Arabic is also very useful because the Moslems in the mosques speak it.

A MEMBER: How many miles a day did you travel?

MISS CABLE: Almost always thirty miles a day, sometimes forty, at three miles an hour. Whether you went by camel or cart or walked, it worked out at three miles an hour.

A MEMBER: Will the advent of aeroplanes entirely spoil that beauty and peace?

MISS CABLE: I think it will certainly spoil that old life which has been there for so many centuries. Many of the oases will close up. Sand will choke the wells, and there will be no more of the old caravan life. I deplore it because we shall have one less place on earth where we have time to think.

A MEMBER: Is the Gobi much affected by the war as it is now?

MISS CABLE: Very considerably. Russia sent China a great deal of help in the early days of the war, and it was sent by lorries across Gobi.

A MEMBER: Is it a country where it is easy to build aerodromes?

MISS CABLE: Very easy, because there are great spaces of rather hard surface. The trouble is that the plane may come down at a great distance from any water, but possibly wireless would bring aid.

THE CHAIRMAN: All students of Chinese civilization must have paid attention to this great highway, a stupendous factor in history, not only for the Far East but for ourselves. We have had to turn for information to the records of Chinese historians, scanty maps, and the observations of the few Western explorers.

But the lecture we have heard this afternoon has brought home to us in an intimate manner, unobtainable in any other way, some of the dangers and hardships, though I fancy Miss Cable has dwelt more on the pleasant aspects of the country. In the future we shall never think of this highway in the same way as we did before.

What Miss Cable has said helps to stress, or rather to dispel, a very popular fallacy, which is that the Chinese have developed their civilization alone and unaided. Such a statement is made in that great work, Wells's *History of the World*, but it is not true. For two thousand years and more—how much more we really do not know—this great highway has been traversed in both directions innumerable times by countless millions. Fresh impulses have thus been carried not only to Chinese civilization, but also to our own.

That is one reason why Miss Cable's lecture has been of such intense interest to us, and we have enjoyed the personal touch with which she has sketched her experiences of fifteen years in these surroundings. I am sure you all wish that I thank her most heartily for giving us this most fascinating lecture.

The vote of thanks was carried with enthusias.



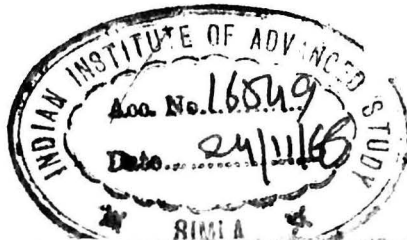
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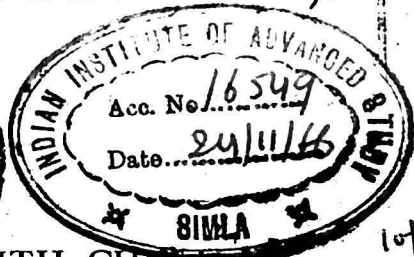
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BRITISH TRADE WITH CHINA IN THE POST-WAR PERIOD

By E. M. GULL

Lecture given to the Royal Central Asian Society on April 21, 1943, the Right Hon. Sir Robert Clive, G.C.M.G., in the Chair.

The CHAIRMAN: The subject of the lecture to-day is "British Trade with China in the Post-War Period" and the lecturer is Mr. E. M. Gull.

I first met Mr. Gull about twenty-one years ago, when he was Secretary of the British Chamber of Commerce in Shanghai, and I was at the time Counsellor of our Legation in Peking. After the last war, largely thanks to the energy and initiative of Mr. Gull, there took place annually in Shanghai a meeting of the associated Chambers of Commerce of China, and on two occasions I had the pleasure of attending those meetings on behalf of the British Legation.

Mr. Gull started his career in China in the Chinese Customs Service and for the last fifteen years has been Secretary of the China Association in London. There is, therefore, nobody really more qualified to give a lecture on this subject, because, living in Shanghai and as Secretary for many years of the Chamber of Commerce, he had an intimate connection with trade in its various aspects though not himself a trader.

He asks me to say that to-day, in whatever he says, he is speaking personally and not in his capacity as Secretary of the China Association.

I DO not propose to give you anything in the nature of a blueprint. There are plenty of people making blueprints at the present time. It is a harmless and an absorbing occupation, rather like a crossword puzzles and perhaps about as useful. What I shall try to do will be to put before you what appear to me to be the main factors that are likely to control and govern the future of British trade with China. When I say British trade I mean the United Kingdom's trade, and when I say China I am going to include Hongkong. To try and include the rest of the Empire's trade would, I think, be to make the subject a little too unwieldy for the time at our disposal.

The factors which are going to govern the situation after the war, as I see them, fall into four groups. First of all there are the factors which will be brought into operation by the sheer cessation of the war. Then there are the factors associated with German and Japanese competition. The third group comprises factors which will arise in China; and, fourthly, there are the factors associated with changing economic conditions. It will be time to deal with the fourth group I rather in hopefully, and shall try to say a word or two

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these groups, it seems to me desirable that we get a clear idea of what we mean by the United Kingdom's trade with China and Hongkong—i.e., the size of the trade and its content. I see several people here to whom those facts are thoroughly familiar, but there are others present to whom they are not perhaps so familiar, so I will give you a brief and general sketch.

As regards the size of our trade with China, if you take the period 1931 to 1935 and examine our own Board of Trade returns, you will find that our exports to China and Hongkong averaged 10.2 million pounds annually.

In the period 1936 to 1939, which was an abnormal period, rendered abnormal by the Sino-Japanese War, our exports dropped to £7.8 millions.

On the import side, during the period 1931 to 1935, imports averaged an annual value of £6.7 millions, while in the last three years—*i.e.*, 1936 to 1939—they averaged £7.6 millions. You will note that change, from £6.7 to £7.6 millions.

Perhaps those figures will convey a little bit more to you if I speak in terms of our trade with other countries. Our export trade with China was more valuable during those years than our export trade with Spain, Portugal, Norway or Switzerland. It was less valuable than our trade with Denmark, Belgium, Holland, and, of course, not to be compared with our trade with Germany and France. It was roughly on a level with, though a slightly higher level than, our trade with Italy. If you like to go further afield and take a comparison from South America, you will find that our exports to China exceeded in value our exports to Brazil, Chile and Uruguay, but were very much less than our exports to the Argentine.

In the case of all the countries I have mentioned, except Portugal and Switzerland, we imported more than we did from China.

Now to turn to the content of British trade. It is probably hardly necessary for me to say that the great bulk of our exports to China are mainly or wholly manufactured goods. Their value is about 90 per cent. of the total value.

The most important group was the textile group—cotton yarns and piece goods, linen and hemp goods, woollen and worsted goods, and artificial silk. Their average annual value during the first period was about £3.4 millions. Quite a long way behind them came metals, principally iron and steel goods, which averaged £1½ millions. Next came machinery, which averaged £1.2 millions. After that came chemicals, £518,000; and after chemicals came vehicles, both road and rail, "mechanically propelled" as our returns describe them, their value being about £507,000 only.

During the period 1936 to 1939 a considerable change took place in respect of the first group, the textile group. The change was due to a very great falling off in the export of cotton piece goods. In 1931 cotton piece goods were approximately 17 per cent. of the value of our total export trade with China. By 1939 the percentage had dropped to 3 per cent.

As regards the other commodities I have mentioned, there were decreases, but their relative importance remained pretty much the same, though the export value of chemicals dropped rather sharply.

To turn to the import side. There you have quite a different picture. As you know, China manufactures at present very little. The principal things that we imported from her during the years already named fell under the heading of food supplies. The familiar heading "food, drink

and tobacco" was valued at about £3.7 millions, of which—it is rather tantalizing at this time to think of it—about £2,000,000 was the value of eggs—eggs not in shell, but egg yolk, liquid egg and so on.

After that group came raw materials, averaging about £1½ millions in value, the principal ones being bristles, soya beans, feathers, tung oil and silk. Last of all came wholly or mainly manufactured goods, about £1½ millions, consisting principally of tin and antimony, mats and matting, hats and caps, silk manufactures and carpets. That was also the case during the period 1936 to 1939.

Now to turn to the factors. The first group, as I said, comprises those factors that are likely to be brought into operation upon the cessation of the war. What are they? The first will be a tremendous disequilibrium between demand and supply. There will be a hue and cry for all sorts of goods, and the goods will not be there.

The second factor will be a shortage of shipping, and the third factor, probably, will be currency difficulties.

How is the first factor likely to be dealt with? Presumably on some system of rationing. Priority, presumably, will be given to the goods which are considered the most essential—foods, clothing and materials for clothing, machine tools and, probably, vehicles of one kind and another. That is a personal opinion which other people may not share.

As regards shortage of shipping, that will remedy itself more or less automatically, I imagine. There will be a cessation of destruction; there will be continued production of ships and a gradual release of ships from military purposes. We have to bear in mind, of course, that on this occasion we shall be garrisoning not only Germany but also Japan. But that is not going to require a very great deal of shipping. I think accordingly that the shipping shortage will rectify itself pretty quickly.

Then comes the question of currency. You will not expect me to deal with the currencies of all the world. I will just make a remark or two about Chinese currency. A couple of years before the outbreak of the Sino-Japanese War, the Chinese national dollar stood pretty steadily at 1s. 2d. To-day it is somewhere between 2d. and 3d. There has been a huge issue of paper money in China. Prices have gone up tremendously, and a great many people are exercising their minds as to how Chinese currency is going to be brought into relation with world currencies, particularly our own.

I do not pretend to have any answer to that problem. One can only point out the factors that are likely to be operative. The Chinese Government claims to be handling its currency in a sound way. I came across only yesterday a statement based, presumably, upon an official statement made by H. H. Kung, the Minister for Finance. He claims that there is an adequate reserve behind the note issue. Although, the statement says, the note issue has increased in the last few years, its reserve has increased correspondingly. It adds that the Government has established a Gold Mining Bureau to increase gold production, and that all the precious metals it has obtained are used for currency reserves.

The statement goes on to say that extreme care has been taken with the note issue. "Although the war expenses have drained heavily on

China's Treasury, the Government has been extremely conservative regarding the issue of bank notes."*

That is a more or less official statement, and I do not propose to examine it at all closely. I would merely point out that the Chungking cost of living index figure stands at about 6,950, having risen by 143 per cent. during 1942. However, assuming the validity of the Chinese Government's claim, the problem of stabilizing China's currency at a new level will not prove, perhaps, quite the problem which we are at present anticipating. In any case, a certain amount of help will probably be derived from the Keynes scheme, or the Morgenthau scheme, or a combination of both. Those schemes, as you know, have only been put forward as bases of discussion. One cannot take them as schemes in being which will come into operation as soon as the war ends. Still, there is good reason to hope that one or other of the two schemes, or a combination of both—preferably in my opinion the Keynes scheme—will be adopted. I say preferably the Keynes scheme because from China's point of view it appears to me to be likely to be the more helpful. For the Morgenthau scheme requires that parties who are going to share in the benefits of the stabilization fund should put up money, should put up a contribution, whereas the Keynes scheme proposes to credit participants with such and such quotas, the quota being based upon 75 per cent. of their pre-war trade for three years. The credit facilities which China would enjoy under that scheme would help her, not enormously but quite considerably.

The various factors which I have just named may be called short-term factors. How long they will operate—whether one, two, three, five years—no man living can say, but I think most people will agree in describing them as short-term factors.

Now we turn to the second group, the factors relating to German and Japanese competition. These are likely to be of rather longer duration. You will appreciate their importance when I remind you that in 1937 Germany and Japan between them did rather over 30 per cent. of China's total import trade, each doing about 15 per cent. Our share was about 11 per cent. That had been, roughly speaking, the position for several years. For several years both countries had exported more to China than the United Kingdom had exported.

That fact becomes all the more relative to our discussion this afternoon when you ask yourself, "In what commodities did their superiority display itself?"

As regards the iron and steel trade, Germany imported into China more rails, more iron bars, more spring and tool steel than we did. Of chemicals, Germany's export to China of sulphate of ammonia very considerably exceeded ours. Japan's import into China of textile machinery greatly exceeded ours, and nobody needs reminding that the fall in the value of our cotton piece goods to China was due to Japanese competition, or very largely. Accordingly, whether Germany and Japan are going to come back into the China market in a relatively short space of time and

* "Currency Situation in China," in *China at War*, February, 1943.

reoccupy the position they held in 1937 is obviously a matter of very considerable importance.

What experience have we to guide us in judging this? In the case of Germany we have this experience, that in 1918 Germany was economically speaking down and out. In 1920 her share of China's total foreign trade was 0.53 per cent. In 1930 it had recovered to between 4 and 5 per cent., and by 1937 her share of the import trade was 15 per cent. Is history going to repeat itself? Let us before trying to answer that question consider Japan.

There we have less experience to guide us; in fact, no experience at all. Hitherto war has always paid Japan. The first Sino-Japanese War paid her. The Russo-Japanese War paid her, and, of course, the last war paid her handsomely. It was during that war that she began to exceed our trade in China and to do us out of our piece goods market. What is going to be the effect of defeat on Japan? No man living can say, but what one can say is this: that there is almost complete absence of any shock-absorbing institution in Japan. You cannot regard the Diet as a shock-absorbing institution as you can our Parliament. The Japanese are very patriotic. They have proved that in this war, but how are they going to feel when the army, which they have revered for so many years, which has always been so successful, has to acknowledge defeat? What is going to happen to the Emperor in those circumstances?

It is impossible to say what the reaction of defeat on Japan is going to be, and therefore it is very much more difficult to project any sort of future in regard to Japan.

However, taking the two countries together, I think we can say this. We do not want to see either country permanently disabled economically, and yet, may it not be necessary to control and limit their heavy industries because of the close relationship between heavy industries and armaments? If the answer is "Yes," then it seems probable that Germany and Japan will for a time be less able to export certain kinds of capital goods than they were, and that to that extent our trade with China will benefit. But such control will not be prolonged indefinitely. I am inclined to think that it will not last longer than, say, twelve to fifteen years, and that at the end of that time both countries will probably be formidable competitors in the Far East again.

Now to turn to the third group of factors—*i.e.*, the factors which are going to originate in China. These, I think, in distinction from those we have been dealing with, are really the long-term factors.

There are three main questions, three precedent questions, we have to ask ourselves. The first one is, Is China's war unity going to continue after the war? There are varying opinions. Some people are frankly doubtful about it. Their doubts arise from the obvious cleavage represented by the existence of the Wang Ching Wei Government and from the known fact that during the war there has been serious fighting between Red forces and Government forces. On these grounds there are some who think that when the war is over, when the strain is released, China will sink back into the disunity which we knew before the Kuomintang Government was established.

If that is to be the case, we can say very little about the future of our trade with China. However, that is not my own personal opinion. I think that Chinese unity will hold. I think the pessimists rather lose sight of the enormous factor which success and prestige will represent. Think! After all these years, years during which China has occupied, as she so often said, a Colonial status, she is going to step, overnight almost, into the position, morally speaking, of a first-class Power. I think that the satisfaction and self-esteem which China will derive from that fact are going to be an enormously powerful cement in holding her together.

Then there is a second question that we have to ask ourselves. Is China physically endowed with the wealth necessary to support an economic future equal to that of a first-class Power?

Well, two-thirds of the coal produced in the Far East before the war was produced in China. About one-third of the iron ore was produced in China. Most of the cotton, all the antimony, most of the tungsten were produced in China. China is certainly a richer country than Japan, a better endowed country. And Japan made herself a first-class economic Power. So, as far as physical wealth is concerned, there is no reason why China should not do the same.

But that brings us to our third bedrock question. Has China got the intellectual and the moral capacities necessary for a big political and economic rôle? Again you get a tremendous discrepancy of view. Personally I think that she does possess both the intellectual and the moral capacities to make a very great success of herself, though I am under no illusion as to the difficulties which confront her.

Now let us address ourselves to the question, What is China's policy going to be? I do not think we need go over the whole ground of policy. We can take two or three leading points. The first one seems to me to be this. Is she going to industrialize? If she is, then two things follow. She will require all the instruments that are necessary for industrialization; she will need less, as she comes to make things for herself, a number of commodities which she has hitherto imported. In other words, there is going to be an increasing demand for capital goods and a decreased demand for consumption goods.

That is a generalization, of course, and has to be qualified. Where do capital goods required for heavy industries and those required for light industries begin and end? If the standard of life rises in China, will not the Chinese want a great many more things than they have hitherto been importing? Still, broadly speaking, I think it is true to say that China's chief demand will be for capital goods and that there will be a diminishing demand for consumption goods.

The second question is, Is China going to encourage her export trade? The evidence before the Sino-Japanese War was that the National Economic Council was giving very great attention to various commodities exported from China, and was doing a considerable amount to improve them and to make them more exportable. It happened that I had the opportunity of examining some of these efforts, and looking at them as an amateur, with no expert knowledge, I was much impressed by them.

At the same time, when you sit down and coolly reflect upon the

position of China's exports in world markets, you feel a certain amount of doubt as to whether China has really got the stuff that can be sold in large quantities to the rest of the world.

Let us examine the United Kingdom's imports, from world markets as a whole, of the goods which she imports from China. Great Britain is a fairly universal buyer, and we can judge to some extent from the proportion between what we get from China and what we get from other parts of the world as to the position of China's exports in world markets.

Take eggs. The total value of eggs imported into the United Kingdom in 1935 was £9,000,000. Of that, £2.6 millions were credited to China. In the same year, of our imports of bristles—valued at a little over £1,000,000—nearly half came from China. Of vegetable oils, the total import was valued at £2.4 millions; about £500,000 was the value of imports from China. Of tin in bars and blocks, the United Kingdom imported about £3.3 millions worth, of which about £259,000 worth came from China. Of hats and caps, the proportion was from China about £204,000 worth, from the rest of the world about £1,400,000 worth.

In that short list of goods China appears to stand in a fairly good position. But if you take other commodities the position alters. Take tea, for example. United Kingdom import of tea was in 1935 valued at about £24 millions. Tea from China was valued at £464,000. Our import of hides and skins was valued at £12,400,000; from China at £150,000. Our total imports of wool were valued at £35.3 millions; imports from China, next to nothing. These commodities suggest China does not hold a very strong position in the commodity markets of the world.

Then there is a third question in regard to China's policy. Is she going to try to raise the standard of living? The position of the Chinese farmer is not one in which a man can be expected to do his best for the commodities which he is growing for the export market. For one thing, the holding of the average Chinese farmer is far too small; secondly, he is harassed by debts; thirdly, he has insufficient credit facilities; and, fourthly, he is subject to attack on a gigantic scale by flood, famine and other calamities. The Chinese standard of living presents an enormous problem, for while it makes for cheapness in manufacturing costs and other first charges, it results in low purchasing power and political instability.

Taking all those factors together, what verdict, what sort of general conclusion are we justified in coming to in respect of our prospects in the Chinese market?

Well, it seems to me that the short-term outlook is quite definitely a good one. Granted that the factors which will be brought into operation immediately the war ceases are dealt with fairly quickly—and personally I see no reason to suppose that they won't be—then for the next ten years or so our prospect is definitely good. After that, it is difficult to say, on the one hand because we do not know, and cannot know, what is going to be the situation in respect of international competition; on the other hand, because we do not know, and cannot know, what China is really going to make of herself.

I wanted to say a word or two upon the fourth group of factors—*i.e.*, changing economic concepts—but if I go on and try to cover that, I am afraid there will be very little time for discussion, and that would be a pity, because I think you will learn much more from discussion than you may have learned from what I have told you. So I shall miss out the fourth set of factors that I hoped to deal with and content myself with the first three.

A GUEST: The Chinese will always import a lot of expensive machinery, but is that doing the mills of China any good?

They have an enormous problem in front of them to raise the standard of living; if they could raise it by even 10 per cent. then we could supply them with this heavy material.

Mr. W. M. KIRKPATRICK: Underlying Mr. Gull's talk is the truism that China is a vacuum, if properly handled, a vacuum for trade, especially for heavy industries.

I went out to China in 1936 on a mission on behalf of the Board of Trade to investigate the possibility of our Government guaranteeing payment by Chinese buyers, especially in regard to orders for heavy goods. When I arrived I found my visit was premature. After four or five weeks living in close contact with the Chinese in Canton and in Hangchow, etc., I found there was not the slightest doubt that China would very soon be at war. But even within the few months of the preliminary stages of my work I had definite, promising, effective enquiries for over £8,000,000 worth of heavy goods. Mr. Gull stressed very rightly the importance of heavy industries. I am convinced that on the short-term policy we must concentrate in this country on exporting heavy goods.

Where we failed in our competition with the Germans particularly, who made such headway, is that we overlooked that very important business piece of machinery which we have in this country, and which the Chinese above all would appreciate more than anything else. I mean consulting engineers. The mining opportunities in China are unlimited. They are amazing. The line I want to suggest is this. A Consulting Engineer firm established in China, even subsidized by the British Government, assisted by firms of British merchants' associations and the Federation of British Industries, would be the medium through which orders would be passed. Consulting Engineers might recommend buying some of his goods from America. They might recommend the boiler from America, and especial parts of machinery from Belgium, but the bulk of it would undoubtedly come from this country. Firms of consulting engineers would be of the greatest value to our British firms in China. Those British firms established in China could remain as agents for the various specific goods they represented, and the Consulting Engineers would formulate and draw up the specification for a hydro-electric scheme, or paper factory or whatever it was; then the Chinese, whether Government or private or municipal, would know he was getting a square deal and the best machinery possible in a specification drawn up by unbiased experts for a fee.

A GUEST: I think the question of whether China will continue her