



Chinese junks at Hongkong unchanged in a thousand years.



On the banks of the Hoogly River at Calcutta.

HOW THE WAR AFFECTS ENGLAND'S WORLD TRADE

By CHARLES M. PEPPER.

BRITISH shipping in the Thames, a London despatch recently said, shows no sign of war. The English merchant fleet at Hongkong, according to another despatch, was undisturbed.

The commercial intelligence bureau of the British Board of Trade, which corresponds to the Department of Commerce in Washington, is reported to be showing unusual activity in issuing pamphlets based on reports from British Consuls indicating where foreign markets were open to capture and what kind of goods each market wanted. British official reports are not as a rule very revealing, but in this instance that conservative British institution known as the Consular Service seems to have yielded to a realization of world trade as affected by the war.

While this information was being published statistics were given out in London showing how little the \$7,000,000,000 foreign commerce of the United Kingdom had been injured, so far as related to the capture of British merchantmen, and also how British cruisers had been able to cripple the carriers of England's leading competitor. It was complementarily remarked that the English losses did not amount to \$5,000,000, while the captured German cargoes were worth at least \$25,000,000.

The undisturbed merchant fleet at Hongkong, which is a British possession, is the best index of the naval backing to English trade policy. There are British cruisers in the Far East, but there are also the Japanese cruisers to supplement them, and Japan becomes the safeguard of England's interest in China's seaborne trade.

The tonnage figures of Hongkong tell their own story. The Chinese junks have not changed in a thousand years, last year out of nearly 800 vessels of the European type of construction entering and clearing 250 were British. Their tonnage was 4,210,000 tons. The number of German vessels was a little over 100, with a tonnage slightly exceeding 1,100,000 tons. A dozen Austrian vessels had a tonnage of 168,970 tons.

There may be German as well as British cruisers in the South China waters, but no reports have come that the German and Austrian commercial fleet is undisturbed by the war. The question is how much of the trade of her rivals for which Hongkong is the distributing centre England already has and how much more she will get.

Some of the carrying trade nevertheless may be lost through the placing of the Standard Oil and other ships under the American flag. Part of the coal, kerosene and cotton piece goods which the United States sends to Hongkong for redistribution has been carried in American ships, but a large proportion of the cargoes has been under foreign flags.

Some of the rice which has come by way of Hongkong to the United States has been brought in German as well as British ships.

The question now is whether vessels flying the American flag may not get part of this traffic. There is also a question whether Hongkong itself, for which there is a demand in the United States, may not be brought directly through the Panama Canal as an encouragement to establish an outlet on the Atlantic coast instead of going to London to be smelted and reshipped.

Traffic through the Suez Canal usually is taken as the best measure of the supremacy of England's merchant marine in world commerce. During 1913 5,985 vessels passed through the canal with a total tonnage of 29,215,000 tons. Out of this number 2,951 vessels were British and their tonnage was 12,173,000 tons.

German vessels numbered 778, with a tonnage of 2,365,000 tons. The significant showing, however, was that there was a decrease from the previous year of nearly 400 vessels, with a tonnage of nearly 1,000,000 tons, on the British side, while the German flag showed an increase of 82 vessels, with a tonnage of 335,000 tons.

The Suez Canal nominally is neutral, but there are no reports of German merchant ships now passing through it to become the prey of British cruisers in the Indian Ocean or of French cruisers in the Mediterranean.

Indeed, whatever westbound commerce there is of grain, rice, tea, clothing, seeds, hemp and wool undoubtedly is being carried in British bottoms, while such manufactured articles as may be going out to India and the Straits Settlements are chiefly under the British flag.

The Madero basins in the harbor of Buenos Ayres are dotted with the flags of all nations, except possibly that of

the United States. The standards of other countries—Germany, France, Italy, Norway, Spain—are so numerous that from a passing glance the predominance of the British ensign might not be apparent. But statistics tell the story of British shipping supremacy in the Argentine trade.

In the last year for which figures are available the tonnage of combined entrances and clearances of vessels bearing the British flag was above 16,000,000 tons; Germany, 2,610,000 tons; Italy, 1,260,000 tons, and France, a round 1,000,000 tons. The great wheat cargoes of Bahia Blanca, the Liverpool of Argentina, are under the British flag. At Rosario, on the Parana, occasionally there is a big French or German grain cargo shipped, but the majority of vessels are British.

England absorbs annually from \$150,000,000 to \$200,000,000 of Argentine food products and sends back from \$100,000,000 to \$120,000,000 in cargoes of general merchandise, machinery, railway material, cotton goods and other textiles.

When the United States early in the present year began to import Argentine corn and beef England furnished the ships, even making over refrigerator space in some of them. The vessels which bring the corn and beef carry back to Buenos Ayres American agricultural implements.

The present activity at the Tilbury Docks in London, the wharves along the Mersey at Liverpool, Southampton, Plymouth, Bristol, Glasgow, Newcastle-on-Tyne, Harwich and Hull is evidence of the manner in which England keeps the ocean lanes open in spite of war, though the activity is exaggerated. These lanes are kept open chiefly for British bottoms. The American Consul-General at London before the war broke out reported a tonnage of vessels entered and cleared from foreign countries and British possessions of 67,825,000 tons. Of the entries fully 66 per cent. were British.

British national policy in assuring a sufficiency of food in the event of war, and especially of assuring it through British carriers, is too well known to require explanation. Last year the United Kingdom imported food products of all classes exceeding in value \$1,400,000,000, and re-exported \$218,000,000, keeping for home consumption in various forms close to \$1,200,000,000.

It is not in evidence that German cruisers have interfered with more than half a dozen cargoes of foodstuffs destined for British ports. But no one in the United States would think of consigning a cargo of wheat to Hamburg or Bremen.

The heavy imports of raw materials such as cotton and flax for the textile industries have of course suffered, as well as those of copper, tin and other basic material of the metal industries. The year which the beginning of the war marks, that is, the one commencing

\$7,000,000,000 of Foreign Commerce Protected by British Cruisers—Shipping at London and Hongkong Undisturbed—Aggressive Trade Diplomacy and Neutral Markets

August 1, 1914, will not show exports of \$600,000,000 of cotton fabrics, as in past years, notwithstanding that the British navy keeps the ocean routes open for British merchantmen.

The same observation as to values applies to all forms of iron and steel products and to electrical goods. Some German trade may be seized here and there, but while British industry is not paralyzed to the same extent as German industry, it is crippled.

The question is how far the cotton mills of the United States, the iron and steel mills, the manufacturers of engineering and construction material will avail themselves of the dislocated British trade, especially in the neutral markets of South America and the Orient.

British export trade in one single commodity suffers very heavily because the market is so largely in the countries which are the theatre of the war. This commodity is coal. It is not generally understood how big a factor is coal in the foreign commerce of Great Britain. Yet exports of 75,000,000 tons, as was the case in 1913, are not unusual.

The value that year was above \$250,000,000. Of the European countries which are still neutral Italy is the best customer for Cardiff coal. It is taken for the Italian navy, for the State railways and to some extent for industrial purposes. This traffic is already suffering from the prevailing uncertainty.

American coal had obtained a foothold in Italy and in some other parts of the Mediterranean before the war began. It should now secure a permanent place in the Italian market. Spain also is beginning to take cargoes of American coal.

An Egyptian contract was undertaken two or three years ago at a loss by an American company in order to get into the market. The advantage of this venture should now be reaped, since the supply of British coal to Egypt is sub-

ject to the same uncertainties that relate to Italy.

Six million tons were shipped from Great Britain to the east coast of South America, and the United States already has picked up half a million tons of that.

British trade policy, like the rest of British foreign policy, is continuous, but some features require further analysis in order to understand how firmly British trade is entrenched in all quarters of the world.

The growth of British foreign commerce in the century since Waterloo is not so marvellous as the development of German foreign trade in the generation since Sedan. There has been none of the systematic application of the industrial arts, and the active cooperation of the Government that has marked Germany's commercial expansions has not been shown. In a dozed way the British Government has been lack of the British merchant settled abroad and the British manufacturer who was sending his goods abroad.

During the naval review off Hampton Roads a few years ago the commanding officer of one of the American cruisers joyously remarked upon the full muzzles of a visiting British warship.

"Yes," replied the British naval commander. "We're full up with ammunition ready to teach every little belligerent country to respect our flag or to get five pounds worth of British trade anywhere in the world."

The spirit of aggressiveness and assurance is always the subject of more or less criticism, but it does not change the British policy.

Opinions always will differ regarding economic policies of different countries, and it is not worth while to discuss the merits or demerits of them in building up foreign business. The agitation started by Joseph Chamberlain to form a British imperial trade empire

collapsed after years of propaganda, because the English people would not stand for a tax on their food. But in dealing with its dependencies the British Government, whatever party has been in power, has held steadily to the notion that the dependencies exist chiefly to supply a market for British manufactures.

The shifting Hoogly River at Calcutta is made available to the commerce of all the world by heavy expenditures. Bombay is given splendid port improvements. Yet when India seeks to develop her cotton industries by levying a small import tax she is forced to lay a countervailing internal tax to offset it, and this is done in the interest of Manchester. The India market for cotton fabrics is not closed to competitors of Manchester. But it happens that Manchester can supply the goods better than they.

In the letting of contracts in the British dependencies there is also free competition of a kind, but when public improvements requiring large sums of money are planned for Egypt or India half a dozen English contractors and engineering firms are invited to make tenders, and this is considered sufficient publicity to secure competition and also to insure the contract to an English firm. It is all legitimate enough, but it shows how the British dependencies furnish a market for British manufactures.

Some years ago when Earl Kitchener, then the Sirdar of the Sudan, was pressing his vigorous campaign against the Mahdi, he wanted a bridge built in a hurry. He called for tenders from American as well as from English bridge builders, and to the horror of the British contracting firms he let the contract to an American company. His reason was that the Americans could do the work more quickly.

They built the Akbar bridge in a surprisingly short time and Gen. Kitchener pressed his campaign in the Sudan and smashed the Mahdi. Notwithstanding

the military necessity British public opinion was at long time in favoring itself to American building bridges in Egypt. The British bridge builders have not yet become reconciled to it.

In India, where the India Government constructs and operates the railways, at various times Americans have shown a willingness to provide some of the material, but they have never got beyond that point. They have been given to understand that the India Government prefers to place the contracts in England.

These are mere incidents in the British foreign trade policy, but they show how sovereign British officialdom is that British possessions shall be supplied by British mills and factories.

English trade diplomacy usually has been able to cope with any tariff situation that arises notwithstanding the quality of a revenue tariff as a means of adjusting trade relations with other countries. In cases of this kind the political element and the value of England's friendship have been invoked.

When France in 1909 was revising her tariff and increasing the duties on a large number of manufactured products for the benefit of French industries, Great Britain was hit along with the rest of the world. A roar of indignant protest went up from British manufacturers and British chambers of commerce.

The Unionists, who were then fully committed to the Chamberlain programme of a fighting tariff, used the situation as a campaign argument. They promised if they got into power to provide retaliatory measures which would bring France to time.

The Liberal Government was somewhat worried at the prospect. The whole diplomatic machinery was set in motion. Informal representations were made to the French Government as to the bad effect on British public sentiment in sustaining the entente cordiale if duties so unfavorable to the United Kingdom were levied. Chambers of commerce in different cities were encouraged to send delegations to France, although these were not clothed with official authority.

The bold proposition, as the French Government had to meet it, finally took the shape where it was a question whether French national policy would not be better served by foregoing some of the proposed increased duties than by taking risks of the maintenance of the cordial understanding with England. The outcome was that many of the proposed duties were not levied.

British manufacturers still grumbled about the inequities of the new French tariff, but they really had little cause for complaint, and they knew it, taking into account the fact that France is a protective tariff country. If feeling gradually died away and when the present war crisis was precipitated there was no considerable body of English public opinion hostile to French business.

cause of fiscal grievances affecting trade.

Three or four years ago Japan revised her tariff on a frankly protective basis, with the announced purpose of stimulating and encouraging Japanese factories. The chief industries to be stimulated were the textile trades, Japan was importing raw cotton from India, as well as from the United States, for the cotton mills. Large sums had gone into the factories, and the Government had encouraged these investments.

The new tariff was drawn up almost as carefully and scientifically as German tariffs are formulated. It was adopted by the Japanese Diet. Yet these schedules never went into effect. Manchester and the other textile centres of England voted their alarm so vociferously that the British Foreign Office had to take notice. What representations may have been made to the Japanese Government can be surmised.

Soon the newspapers in Tokio which were closest to the Government began to discuss the British attitude and to regret that their ally felt so grieved at the tariff legislation. Full exposition of the value of the alliance to Japan followed. Then came suggestions that since the new tariff had not been conceived in hostility to Great Britain and since Great Britain objected to it so much, and moreover since perhaps the new schedule of textile duties were not absolutely essential to Japanese industrial prosperity, the tariff might be modified.

After a time this was done, quietly and unostentatiously. The British textile industries did not lose their Japanese market and Japan did not lose the support of England for the carrying out of her policies in the Far East.

The French tariff and the Japanese tariff, in the light of these circumstances, and of the circumstances which make them allies of England in the war with Germany, are living testimony to efficacy of British trade policy as supported by British diplomacy.

The British Government, for the purpose of building up British markets, always has given support to the banking groups which offered loans to China and to some other countries. Contracts follow loans. In the case of China the situation is well understood, since the railway and other materials of the various Government development enterprises are bought through the banking groups which advance the capital.

Trade with the British possessions, while an important element in England's foreign commerce, is not the controlling one. Out of the 59,000,000 tonnage reported for a recent year less than 9,000,000 tons was with British possessions.

This covers not only the dependencies, but the self-ruling colonies, which make preferential tariffs for the benefit of the United Kingdom, where the preference does not conflict with their own interests.

Canada's preferential tariff, under which British products receive an average of 23 per cent. tariff concessions as against the United States and other countries, is the most significant evidence of the desire of the colonies to help British trade. Nevertheless the help is not very great. British trade fares as well relatively in the harbor of St. John's, N. F., where there is no preference for British goods, as in St. John, N. B., where there is a preference.

Two years ago, when the British West India colonies, with the exception of Jamaica, were drawn into a preferential tariff arrangement with Canada, the United Kingdom was given the same preference. The preference given by New Zealand and Australia and by South Africa is of some benefit to British trade, yet it is hardly discernible in the general equation of foreign commerce.

British trade, all things considered, has actually expanded more rapidly in the so-called neutral markets of the world, such as South America and the Orient, than in the distinctive British possessions. The moral and frequently material support of the British Government has been back of this expansion, but not in a way to discourage private enterprise from taking hold and depending on its own exertions.

It is a matter of common observation in the neutral markets of the world that British manufacturers and British banks have developed in a large degree the spirit of practical cooperation in selling British goods. An illustration of this tendency was recently shown in China.

A British corporation was formed by the combination of a number of manu-



Taking cotton to market in India.

Continued on Thirteenth Page.