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## The American Chamber of Commerce

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## WORLD CONDITIONS

In Great Britain as early as June I found opposition to committing the nation to armed intervention for the coercion of national minorities desirous of associating themselves politically with neighboring governments of the same race and language. An argument against such intervention was that it would precipitate another world war likely to end in social revolution and a collapse of the capitalist system.

The Scandinavian countries seemed fairly prosperous. Tourists were unusually numerous partly because fewer people were going to Germany and Austria. There was remarkably little war excitement. I saw no evidence of hostility to the Hitler régime although the three northern nations that I visited are very loyal to their democratic institutions.

In Germany conditions seemed better than at any time since the War. I have been in Germany frequently and once attended a German university. A trace of the old ease and jollity of the early Wilhelm era seemed to have returned, especially in southern Germany and the Rhine country. I talked no politics and did not hear Hitler mentioned. Neither did I see flag displays, or political parades, or many men in uniform. The only public demonstration of this kind I witnessed was a rather small ceremony as I was taking the steamer at

Bremen for the Far East, when a delegation of German naval cadets leaving for study and training in Japan were sped on their way by a detachment of Japanese cadets studying in Germany. No notable enthusiasm attended this incident.

Shops were well stocked with attractive merchandise and the few purchases I make were reasonably priced and of good quality. Rates are low at the best hotels. I walked through some working class quarters which I knew in former days, such as the Neukölln district of Berlin, once notable as a radical communist center. Housing conditions there had improved, food shops were abundantly supplied, and restaurants served adequate menus.

At Singapore and the Malay States where there are many wealthy Chinese, considerable funds were being raised for the patriot armies in China and a party of volunteers were going north to fight. Siam and Indo-China are dealing with a problem that is also engaging attention in the Philippines—the oppression of the rice farmers by local money-lenders. All these countries have a nascent cooperative movement encouraged by the government, but it does not yet cope adequately with the needs of the peasantry. There is some talk of Japanese penetration in Siam as there is in the Philippines. There are said to be numerous Japanese advisers in Siamese government offices, and Japan is supplying the country with its new but rather diminutive navy. But Chinese merchants control trade and were successfully boycotting Japanese goods. Common commercial interests, however, promise to make Japan increasingly influential in southeastern Asia, especially if she succeeds in controlling Shantung and the Yangtze Valley and planting cotton on lands now occupied by rice and other food crops. This will end America's heavy exports of raw cotton to the Orient. It will also force Chinese territories under Japanese control to import food. This will probably come from Siam, Burma and Indo-China and be paid for partly with cotton goods made by Japanese mills at Chinese ports.

The Philippines were the most prosperous country I visited. This is partly due to the expansion of mineral production, especially gold. I had luncheon with President Quezon who is in excellent form and occupied with plans for improving the status of the working people and peasants of the Commonwealth and for colonizing the comparatively undeveloped territories of Mindanao where the Japanese already have a foothold. If Japan retains control of coastal China her influence in the Philippines will probably be greatly increased. Her new industrial enterprises there may enable her to offer the Philippines better markets for their raw material and to use economic pressure to secure favorable trade relations with the Commonwealth.

Americans and Englishmen with whom I talked in Honk Kong and Shanghai reported that while the north Chinese soldiers—not those of the south—were equal or superior to the Japanese in hand-to-hand and rifle fighting, the Chinese army was so lacking in staff organization and in the competent handling of airplanes, tanks and modern artillery, that it could not engage the Japanese successfully in offensive operations and therefore stood little chance of expelling them from the territories they have won. The only hope of China seemed to be in wearing out Japan by protracted irregular operations.

Japan herself feels the effect of the war. I heard it called there "a miscalculation." Business is said to be dull. A tourist finds things much as usual. Prices in department stores are about what they were two years ago. One can hire a motor car more cheaply than in the United States. But the people are not cheerful.

Over 700,000 workers are said to be unemployed in industries idle from lack of raw materials, the falling off of domestic consumption, and general war exigencies. Department stores and national marketers are not advertising because the government opposes encouraging unnecessary expenditures by the public. Capital equipment is wearing out and not being replaced. Some years may elapse before Japanese factories are again in as good shape relatively to those of other countries as they were two years ago.

No opportunity presented itself of learning Japan's reaction to American policies. My personal conviction is that boycotts and similar measures aggravated the situation without influencing in the slightest the public policies of Japan. It is barely possible that if there had been no Chinese boycotts of Japanese goods Japan's armies would not be in China today. Public sentiment in Japan does influence government policy to a considerable extent. It is probably behind the government though not so enthusiastically so as after the Manchuria crisis. Japanese farmers want more land. The army is officered by men of peasant extraction to a greater extent than formerly. In fact the hereditary military caste is being supplanted somewhat by a new army type raised from the nation's grass roots. Furthermore it is possible that Japan's determination to create a vast empire is motivated partly by an inferiority complex or at least by resentment at discriminatory treatment such as immigration exclusion by the United States.

Speaking from frequent visits to the Far East during recent years I imagine that most Americans fail to realize how much prestige we have lost there since the prosperous 1920's. Former respect and admiration have changed to patronizing condescension. Our management of domestic affairs is criticized especially by those whose trade with America has been affected by our last depression. Our foreign policy is characterized as vacillating and undependable, especially by the very considerable number who would make this an evidence of the incompetence of democracies. The withdrawal of our liners from Shanghai and Hong Kong last year was interpreted as chicken-hearted. Altogether we seem to have "lost face" abroad during the past few years.

Our principal achievement in the minds of those whom I met in the Far East is our successful airway service across the Pacific. The re-establishment of our merchant marine on a basis worthy our importance as a nation would strengthen our prestige. We shall have to think through our Philippine policy. It is too closely inter-related with our international standing in a critical part of the world to be left to the occasional attention of public men and to narrow-visioned private interests.

A question frequently asked me was whether America would resist effectively Japan's permanent occupa-

tion of eastern China. My answer naturally was that my opinion was worth no more than that of the questioner. I did not expect the United States to go to war over China. Moral indignation and sympathy with China might move Americans to protest vigorously against Japan's proceedings in Asia, but I could not see a likelihood that this would make much practical difference west of the 180th meridian. A movement might eventually develop in America in favor of joining Japan in exploiting her newly occupied territories if this promised sufficient profit to American business. From a long-term point of view, however, I doubted if the profits made by American business in a Japan-controlled China would be as great as some anticipate. The so-called "colonial" countries no longer offer such tempting rewards to American and European enterprise as formerly.

Japan's expansion in Asia may reach its territorial limits within a thousand miles of the coast. I doubt if that country's general urge toward expansion will cease with this. Japan covets the fisheries and the timber and mineral resources of Alaska and need of these has already been discussed in that country. Maritime control of the Pacific is another goal of Japan's ambition. These deferred objectives may seem of no present concern to us. Nevertheless they foster dreams in a militant people conscious of growing power. As these dreams become more definite and coherent and the sense of power is strengthened we may be faced with a historically inevitable war.

A JOURNAL FRIEND.

Washington, D. C., November 1938.

## NEW FEATURE

Commencing in January our front cover will be made up of basic business indices prepared and kept current by Trade Commissioner Paul P. Stointorf who succeeds J. Bartlett Richards, another excellent friend of the *Journal* and its readers. Mr. Stointorf has been the trade commissioner in Japan during 17 years, with a break of three years spent at Washington. A Virginian, he majored in economics at Georgetown, and was graduated there in 1921. In the war he captained the 317th infantry of the 80th "Blue Ridge" Division of the A. E. F., with the British on the Somme, then at St. Mihiel, and in the Argonne. The last of the fighting got him, the armistice found him among the wounded in Base Hospital No. 7 at Tours, old Villon's beloved locale.

The new feature for our front cover is suggested by the businessmen's concerted movement to invite America to take another and more practical view of the Philippines. We have seen Mr. Stointorf's outline of it and are sure you will approve.

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