

HIGHWAYS OF PROGRESS

THIRD ARTICLE

A LOST OPPORTUNITY ON THE PACIFIC

HOW THE UNITED STATES BEGAN TO CAPTURE THE TRADE OF THE ORIENT—HOW IT WAS LOST—WHAT CAN BE DONE TO RECAPTURE IT

BY

JAMES J. HILL

THE history of our trade with the Orient is a tale of lost opportunity. Yet so much more popular are facts that tickle our pride than those hinting of neglect or mistake that comparatively few people to-day appreciate what this opportunity was, and to what extent and why we have lost it.

The trade with the Orient is the oldest and most prized among men. Its origin and its value go back to the dawn of history. It built up many cities of an older world that are now heaps of ruins. For a time Byzantium enjoyed it, and to some extent by virtue of that fact became the capital of the East. Later on Venice, the city of merchant princes, was built upon the same commercial foundation, and for years that was the gateway through which Eastern traffic entered Europe. When the Portuguese and the Spaniards sent their ships around the Cape of Good Hope, they took possession of this trade and transferred it from the backs of camels to their galleons. From them it passed under the control of the Hanseatic League, to the great free cities and free merchants of Europe.

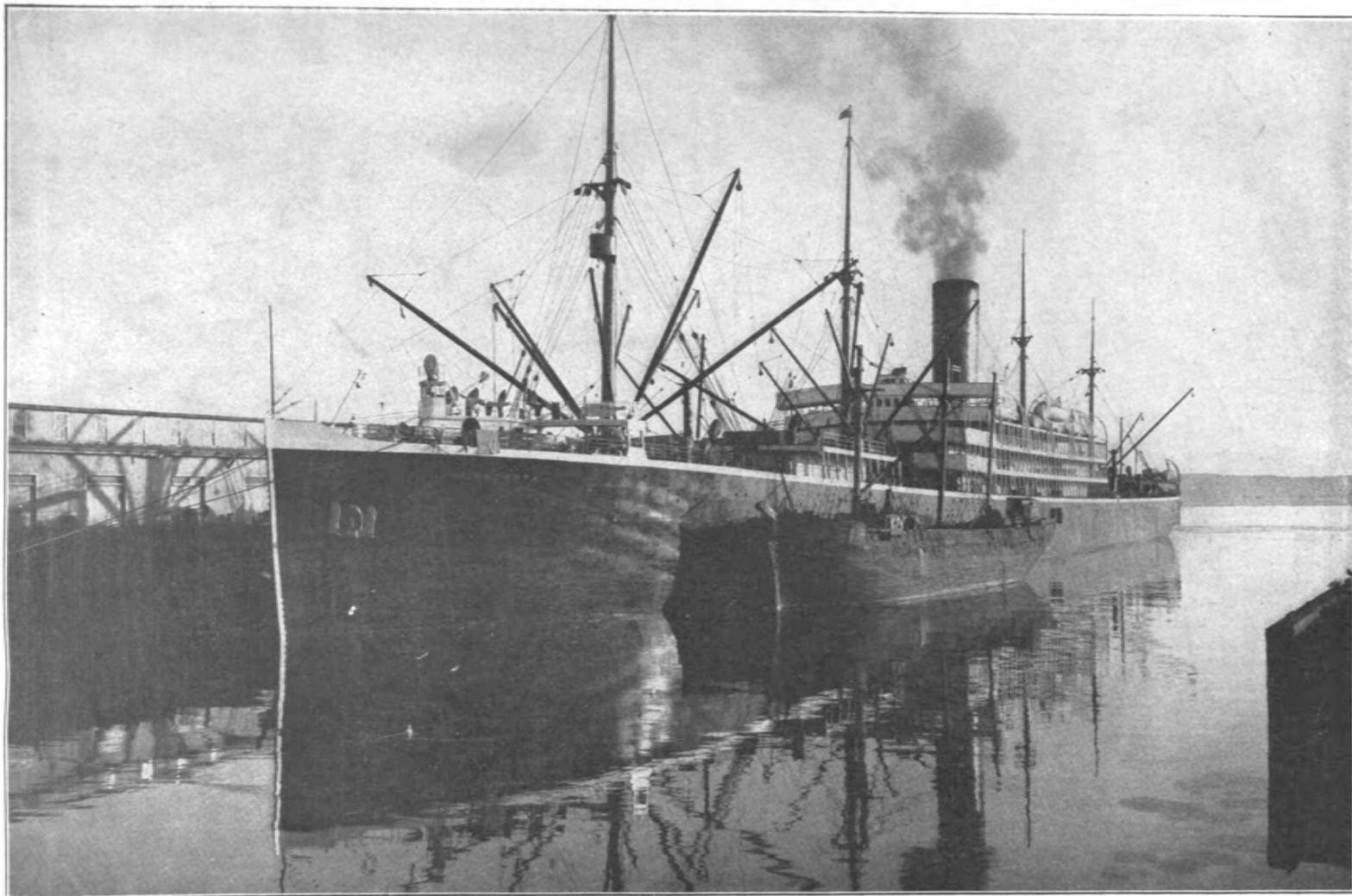
Early in the last century Great Britain, following a far-seeing policy inaugurated by her ablest statesmen, took possession of this trade and has retained the lion's share of it to the present time. Her conquest of India gave her a foothold; her occupation of it a better understanding of the Orientals, their needs and methods; and because, through her enterprise and the breadth of her interests, she was able to furnish the most abundant and cheapest means of transportation to and from the Orient, she has held her own until recently against all comers. The richness, the stability,

the profitableness of this traffic have appealed to all nations. Might not the United States in its turn become first a sharer and afterward, perhaps, the director of this coveted commerce?

From the time when a northern trans-continental railroad line was completed, this became a possibility. Across the Pacific Ocean, nearer by several hundred miles than it had ever been brought before, lay the trade empire that had been in communication with the rest of the world for so long by caravans across forbidding deserts, by long and dangerous voyages around the Cape of Good Hope or, in later days, by the still costly and tedious Suez route. The teas and silks, the rice and matting of China, of Japan and India, are marketed all over the world. They will continue to be bought and sold and transported; and millions of people in those countries will, as they progress, buy ever more and more largely in other markets. This oldest branch of trade seemed also to promise the greatest modern expansion. The short and direct route across the north Pacific from Puget Sound to Japan and China would save both time and cost in transportation.

THE DOOR OF OPPORTUNITY FOR US

Conditions were favorable for a new commercial epoch in the relations of the Orient to the outside world. Not only might its people find advantage in dealing more largely with us than with other nations, but a large part of the vast stream of their commerce might be deflected at its origin, so as to turn eastward across the Pacific instead of westward across Asia or through the Indian Ocean. If this

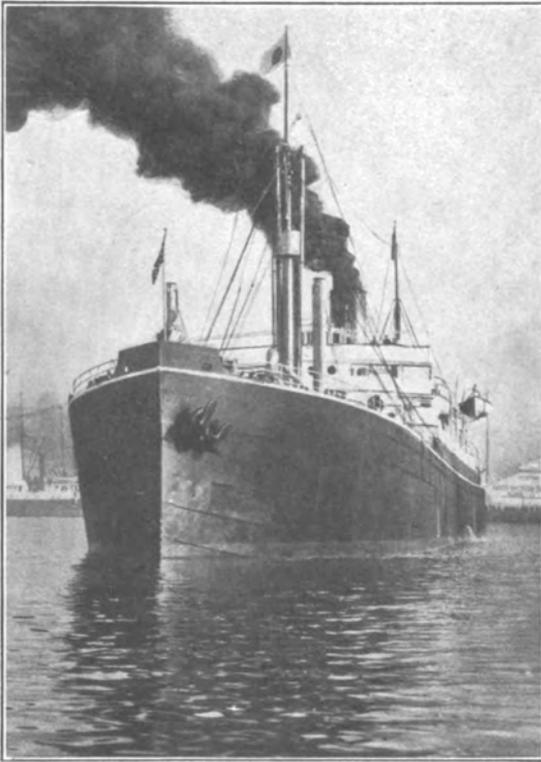


THE UNREWARDED PROGRESS OF HALF A CENTURY OF AMERICAN SHIPBUILDERS

The *Minnesota*, of 28,000 tons — the largest freighter in the world — in comparison with the *Dashing Wave*, once a famous clipper ship. In the days of the *Dashing Wave* the American flag was seen in all the ports of the world. Now, chiefly through hampering legislation, American shipping is declining on the Pacific

should prove feasible, the United States would gain an advantage not easily to be overestimated; would realize a dream that has held the minds of men since the time of Alexander the Great. It was the strategic moment, the opening of that doorway of opportunity for which men and nations wait.

To reverse one of the great currents of traffic, to secure markets among people little accustomed to trade with us, to get the complicated machinery for such a development into place and working order required study,



AN AMERICAN SHIP DRIVEN FROM THE PACIFIC

Unable to compete with foreign vessels in carrying American goods out of American ports, the *Shawmut* and her sister-ship, the *Tremont*, were sold to the Government. They are now the *Colon* and the *Christobal*

preparation, the most careful adjustment of means to ends.

A study of the lumber trade revealed the first favorable opening. When the railways reached Puget Sound (the Great Northern was completed through to the Coast in 1893. From that time the extension of American trade with the Orient was pushed vigorously in all directions), they found there the largest supply of standing timber in the world. For this there was at that time but a limited market. It reached the outer world only in



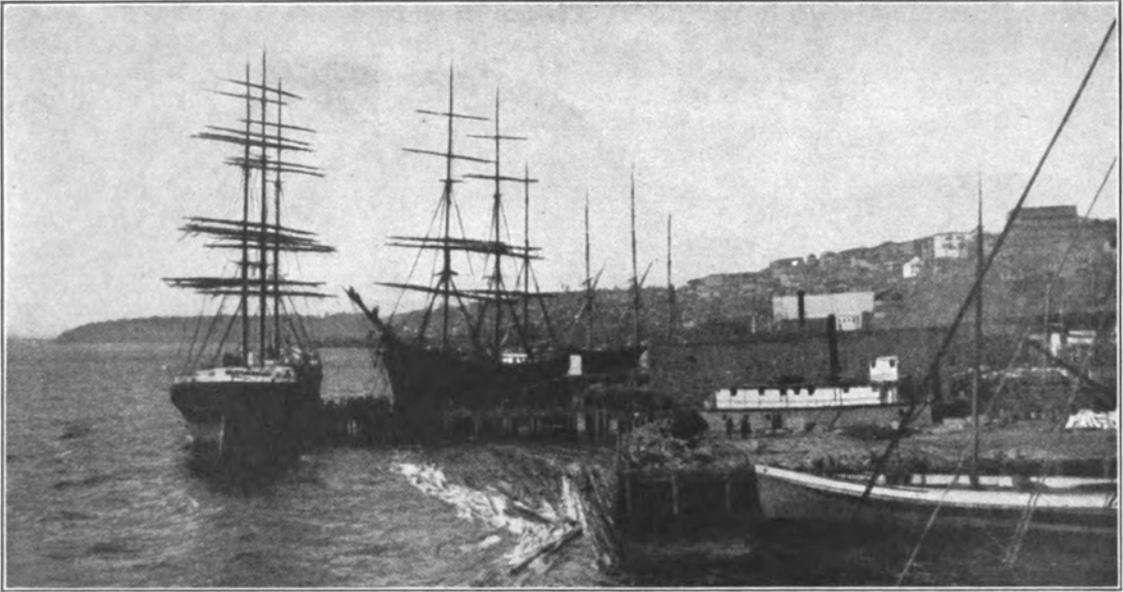
A JAPANESE LINER

There are two Japanese steamship companies subsidized by their government which maintain a regular service from Seattle to the Orient



A BRITISH TRAMP

One of the many which make a profit carrying American goods from our Pacific ports free from rate regulation and other restrictions



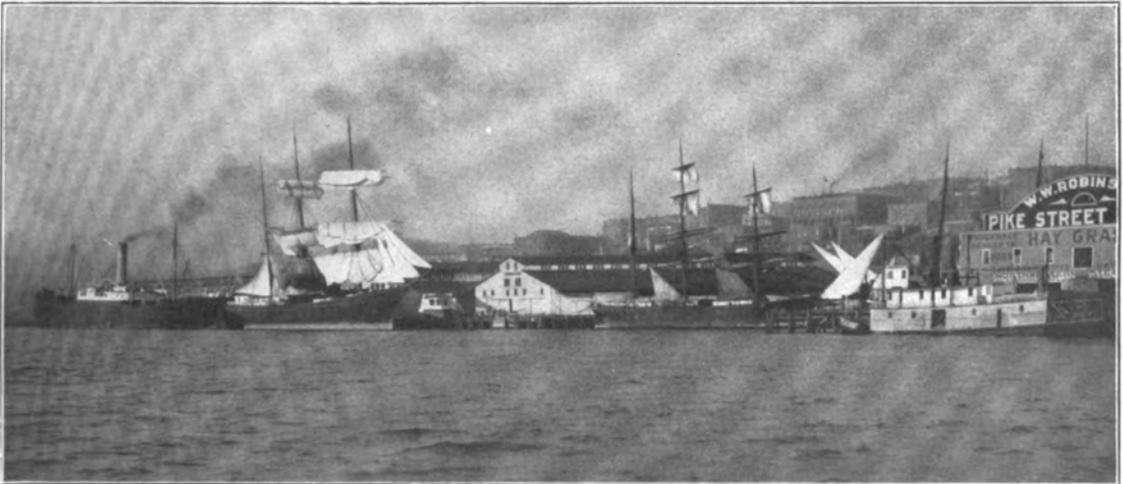
SEATTLE HARBOR BEFORE THE RAILROADS OPENED THE ORIENTAL TRADE

There were no steamer docks and the commerce — mostly lumber — was carried in sailing vessels

the small quantities that sailing vessels carried up and down the coast or to foreign ports. The freight rate to the East, where alone it could be sold extensively, where the demand for it was greatest, was ninety cents per hundred pounds. This was prohibitive. The question was how to make a rate low enough to bring this lumber to the prairie country and

the Mississippi valley. It could be done only by securing an ample and steady volume of traffic in both directions, so that neither eastbound nor westbound cars should be hauled empty. Low rates can be made only if cars moving in each direction are loaded.

At that time the westbound business was heavier than the eastbound, and empty cars



SEATTLE HARBOR, WITH THREE FOREIGN SHIPS IN THE FOREGROUND

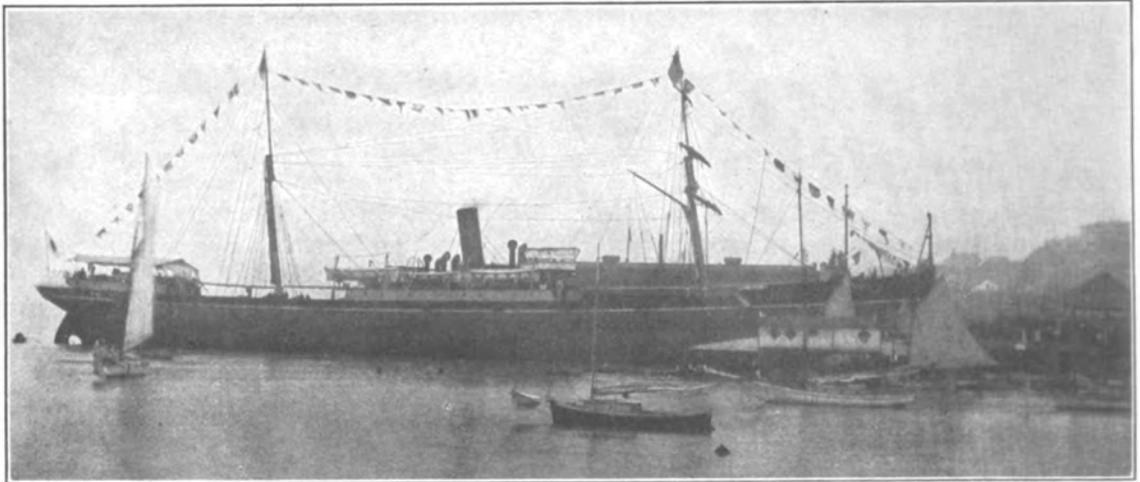
Besides the tramps, practically all of which are foreign, the following foreign lines operate from Seattle: Japanese: Nippon-Yusen-Kaisha, and Osaka-Shoshen-Kaisha; English: Blue Funnel Line, and Bank Line; German: Kosmos Line, and the line of Grace Brothers, who usually charter Norwegian and English ships. The *Minnesota*, of the Great Northern Steamship Company, is the only American liner that comes to Seattle

were coming east, on which lumber might be carried. When the lumber business should be developed into a heavy traffic, then the balance would turn in the other direction. Then west-bound business would have to be increased again, else empty cars would be traveling nearly two thousand miles to the Pacific Coast. While the local development of the coast country was sure to be great, it would not supply sufficient volume of business at that time to equalize traffic. A market for our products in the Orient, if it could be built up, would not only do this but would be of the utmost value to every interest in this country.

What material was there out of which to create such a trade? Japan is small and

once accustomed to the wheat loaf are slow to give it up. And the dense population would make consumption large. Both countries bought their cotton goods mostly from Europe. We might divide that trade or capture it. It was clear that, on the first close contact with the modern world, these races, with their cheap labor and their lively industrial skill, would soon begin to manufacture for themselves. They might get their machinery from us; they would come to us for a portion of their raw cotton. Until their manufacturing industry should be well developed, they would depend upon us to a considerable extent for their iron and steel.

The total purchases outside of their own

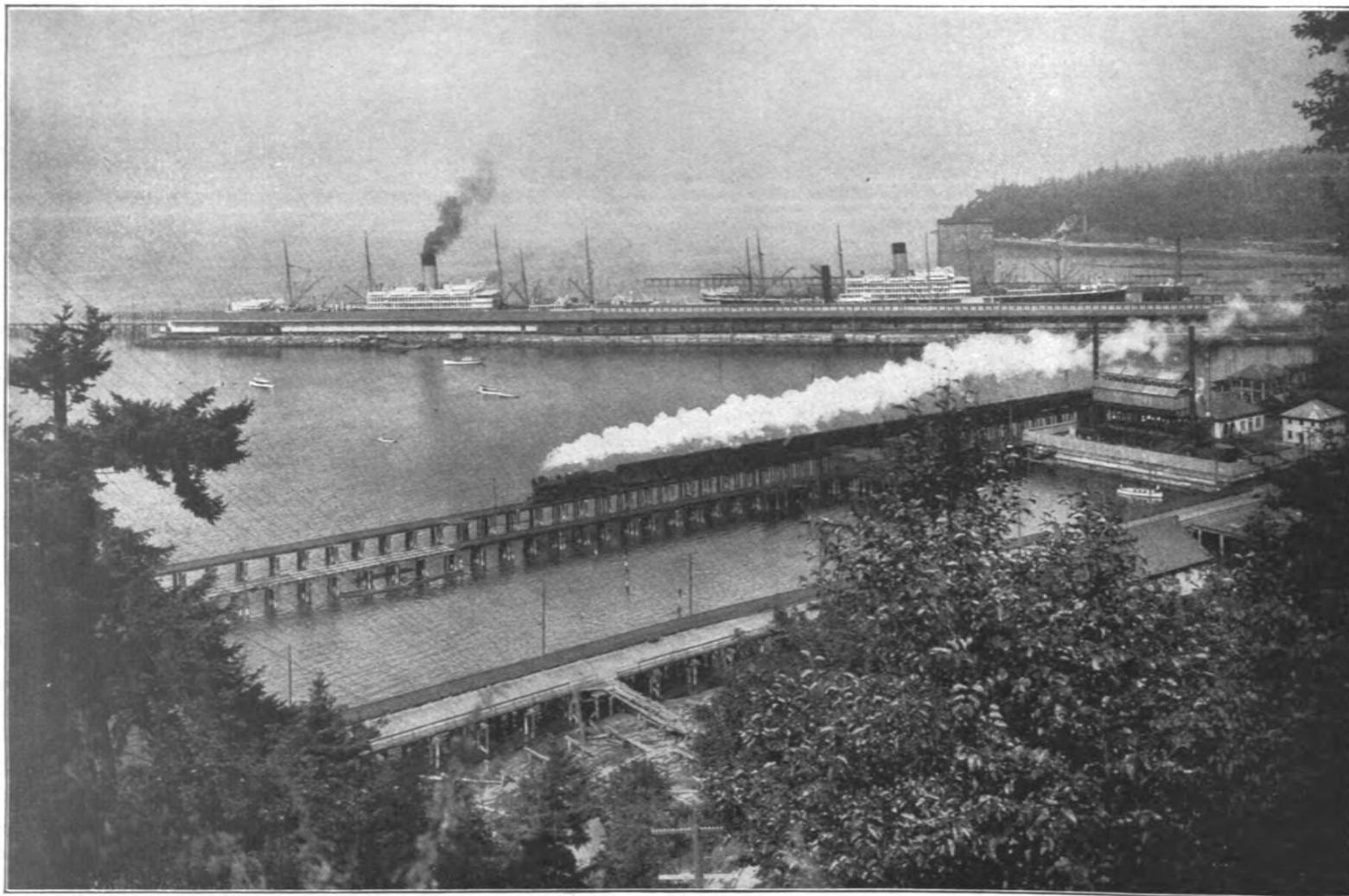


THE "MIIKE MARU" — THE FIRST JAPANESE LINER INTO SEATTLE

Which arrived in August, 1896. In the decade between 1893 (when the Great Northern Railroad was completed to the Coast) and 1903 the Puget Sound exports increased from \$5,085,958 to \$32,410,369 — nearly 540 per cent.

densely populated and cannot feed its own inhabitants. There we might find customers for our foodstuffs. Russia even at that time, when her power on the Pacific seemed secure and was enlarging, would scarcely be a large buyer. China is a marvelously rich country, both for agriculture and in mineral resources. The Chinese are intelligent, good farmers, imitative, industrious, and painstaking as only a people so gifted and so patient can be. They are also good traders. We must look for our market to the men who live in the most densely populated portions, along the sea. India was at once too distant and too poor to furnish a demand worth considering. But the Japanese and Chinese could be made customers for our flour in increasing quantity. A people

countries made by all the people living on the borders of the Pacific, including Oceania, amount to a billion and three quarters annually. Great Britain handles nearly one-fourth of this entire business. Although nearly all consists of commodities that the United States could furnish, we get about one-twentieth of it. Although our foreign trade is mostly done with the markets of Europe, we sell fewer manufactures there than the republics of South America buy from Europe. On the other side of the account are exports of silk, tea, matting, and other Oriental products; not only the large quantities consumed in this country, coming to us by the Suez Canal and paying toll to the foreign importer and the foreign carrier; but the very supply of Europe itself, which we



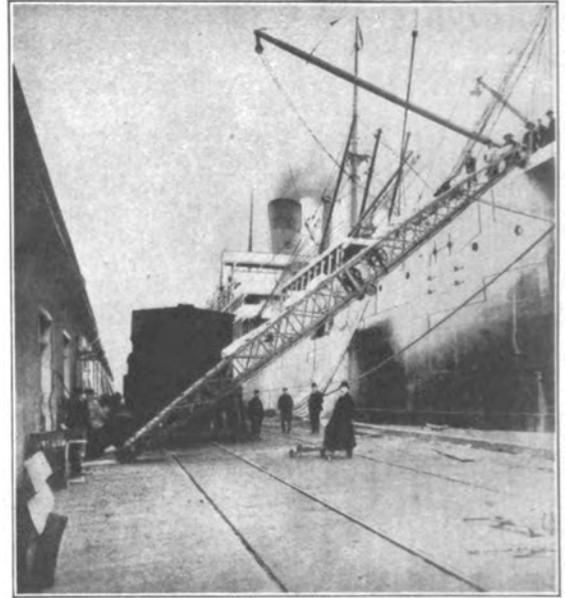
THE LARGEST FREIGHT CARRIERS IN THE WORLD — AT THE GREAT NORTHERN'S PACIFIC TERMINALS

The *Minnesota* and the *Dakota* were built as a part of a great campaign to capture the trade of the Orient for the United States—a campaign unsuccessful chiefly because of the navigation laws and the rate regulations of the Government. By 1905 our exports to China had reached \$53,453,385. By 1908 they had sunk to \$22,343,385



COTTON FOR THE ORIENT VIA PUGET SOUND

For the twelve months ending June, 1909, the United States sold Japan \$10,614,240 worth of raw cotton, a large amount of which went across the continent over the northern route via St. Paul and Seattle



LOADING 8,300 TONS OF FLOUR ON THE "MINNESOTA"

Last year the United States exported \$1,030,188 worth of flour to Japan, and \$3,534,950 to Hongkong. It is estimated that the Oriental trade raised the price of American wheat from five to seven cents a bushel

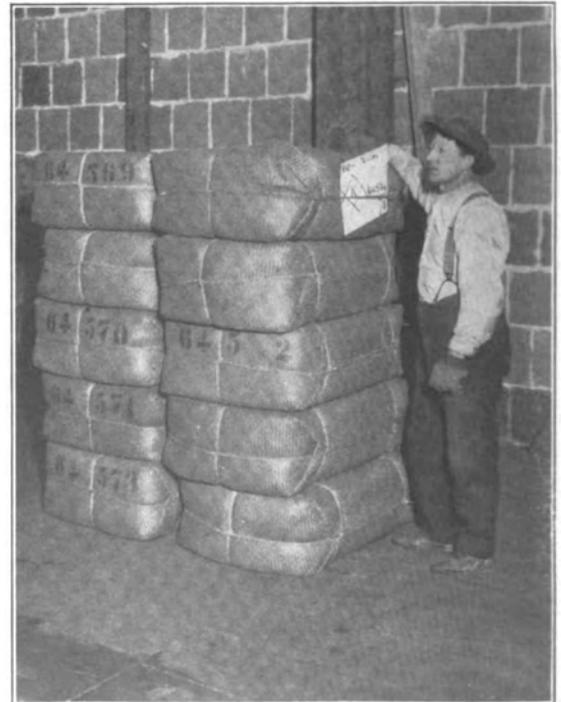
might be in position, with a low freight rate and an established trade, to bring over the Pacific, portage across the continent, and

deliver at European ports, thus wresting from the other half of the world a portion of the traffic that has been the prize of centuries.



TEA FROM JAPAN

In the year ending June, 1909, the United States paid Japan \$9,000,554 for tea — almost as much as we received from Japan for raw cotton

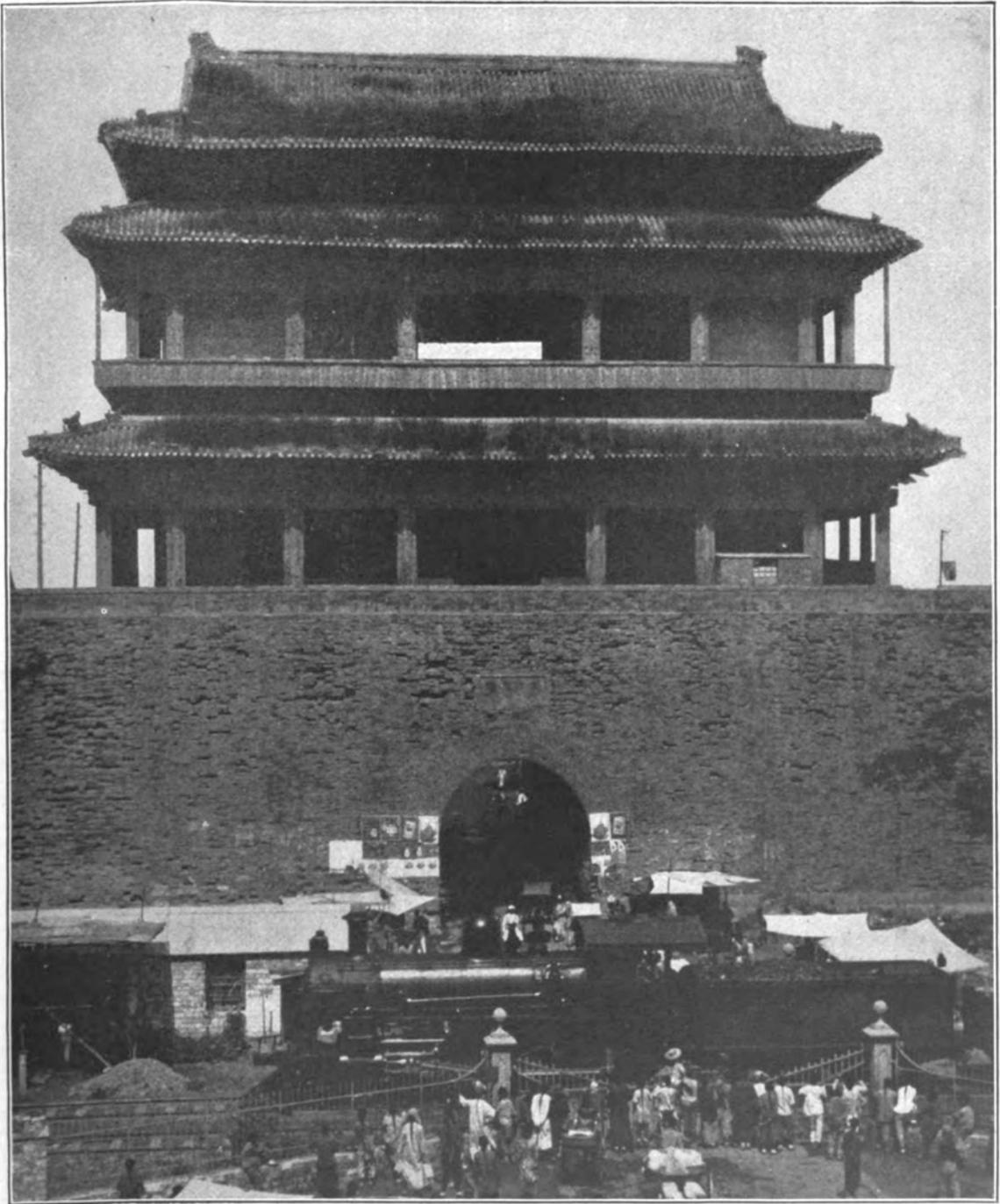


JAPANESE SILK AT SEATTLE

Almost \$50,000,000 worth of silk — both raw and manufactured — was imported by the United States from Japan from June, 1908, to June, 1909

The best route, the traffic machinery to operate it, the market with its demand expanding in both directions — these were the con-

ditions that opened to this country fifteen years ago such a commercial possibility as has rarely presented itself to any nation in history.



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CHINA AS A MARKET FOR AMERICAN GOODS

An American locomotive at the walls of Peking. In 1908-9 eight locomotives from the United States were sold in China and five in Japan. The Baldwin Locomotive Works alone, however, have supplied the Imperial Railways of Japan with more than 160 locomotives in the last five years



OREGON PINE IN CHINA

Part of the \$470,000 worth of American lumber and wood manufactured which China (including Hong Kong) imported last year

Costly wars have been waged and provinces desolated for advantages not half so attractive or so real.



A SIGN OF ORIENTAL AWAKENING

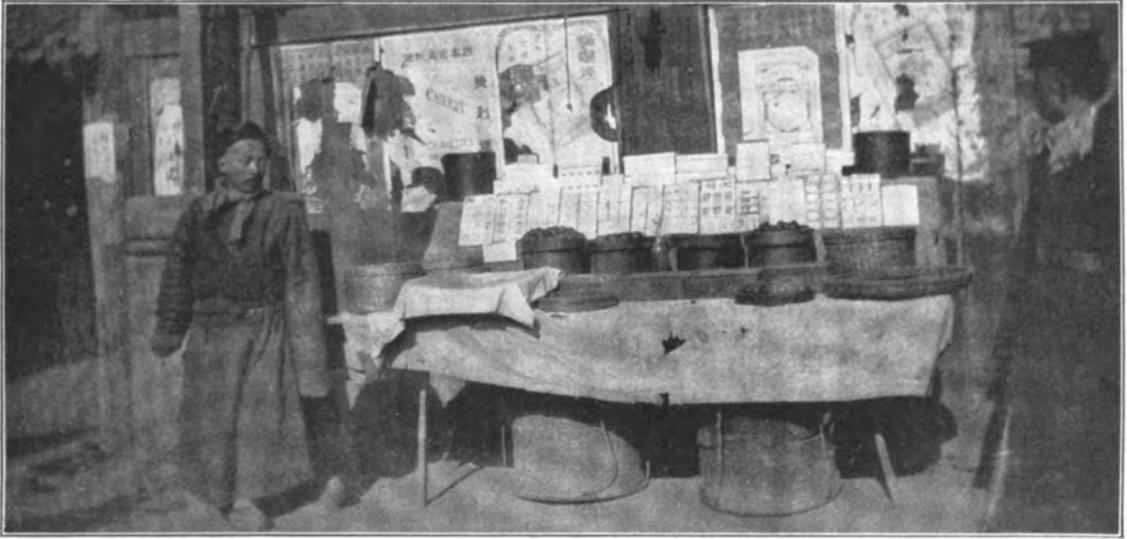
An automobile in Perak (Federated Malay states) owned by a Chinaman. The East is beginning to demand highly manufactured articles

So the effort was made to turn this conception into a business fact. For several years before that, the Orient as a market was



THE ORIENT A MARKET FOR AMERICAN PRODUCTS

China imported \$8,000,000 worth of American cotton cloth between June, 1908, and June, 1909



A CIGARETTE STAND OF THE BRITISH-AMERICAN COMPANY AT MUKDEN
In the fiscal year ending June, 1909, the United States exported \$947,725 worth of cigarettes to China



AMERICAN COTTON IN THE ORIENT

The two big items of our exports to China are cheap cotton-cloth and oil; and to Japan, raw cotton and oil — more the products of our natural resources than of our skill as manufacturers



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JAPANESE, TO WHOM WE MIGHT SELL FOOD

Japan is small, and so thickly populated that it cannot feed its people. Including Hokkaido, with its sparse population, Japan has 317 people per square mile. The picture shows two families at work on their rice fields, which are often no larger than a quarter of an acre



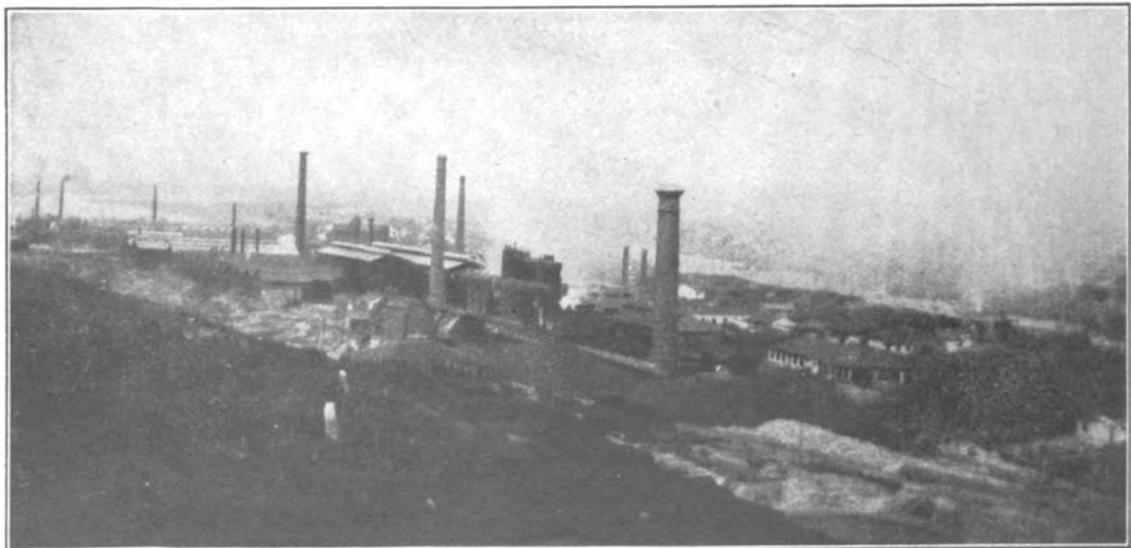
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CHINESE, TO WHOM WE MIGHT SELL CLOTHES

There are more than 400,000,000 people in China proper. Minister Wu once estimated that if his people wore clothes as we do, and every Chinaman should add an inch to his shirt-tail, the increase would consume the cotton crop of the South for one year

carefully and thoroughly studied. At different times agents of the railroads investigated on the ground every trade possibility of the farther shore of the Pacific. They lived among the people, they learned the market, they obtained

manifests of every ship leaving for foreign ports, they inquired into economic conditions, they mixed with merchants, they laid the foundation for an intelligent, practical creation of commerce between the Orient and the United States.

**CHINA AS AN INDUSTRIAL COMPETITOR**

The Han-yang Iron Works across the Yang-tse-Kiang from Hankow, China. The ore comes from Ta-yeh, sixty miles distant, where a German expert estimates there are 100,000,000 tons available. The coal supply of all North China is estimated at 605,000,000 tons. The Han-yang works turn out about 300 steel rails a day



THE OLD WAY IN MANCHURIA

Chinese carts similar to the Red River carts used in St. Paul in the 'fifties

To build up any large trade with India was found impracticable. The land tax kept the people too poor to buy. The Government could not remit the land tax without destroying its own means of support. And the English grip on the market had accustomed the people to buy from their masters. But reports covering international trade conditions in Japan, China, and the whole coast district

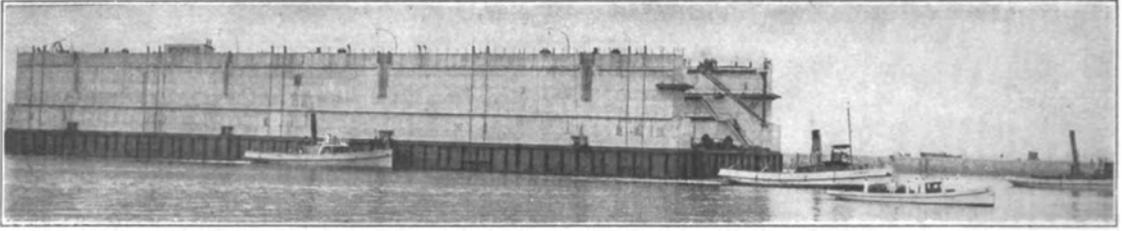
of Eastern Asia confirmed the belief that here was a market of immense value and that it might be made ours.

The first steps had to be taken and the whole burden assumed by the railroads. The birth and the growth of our commerce with the Orient would depend absolutely upon a favorable transportation rate. Having to meet the competition of the world, we must sell more



THE NEW WAY IN MANCHURIA

The Mukden-Antung Railway. The locomotive is American and the first car has American trucks and couplers



THE INDUSTRIAL AWAKENING IN CHINA

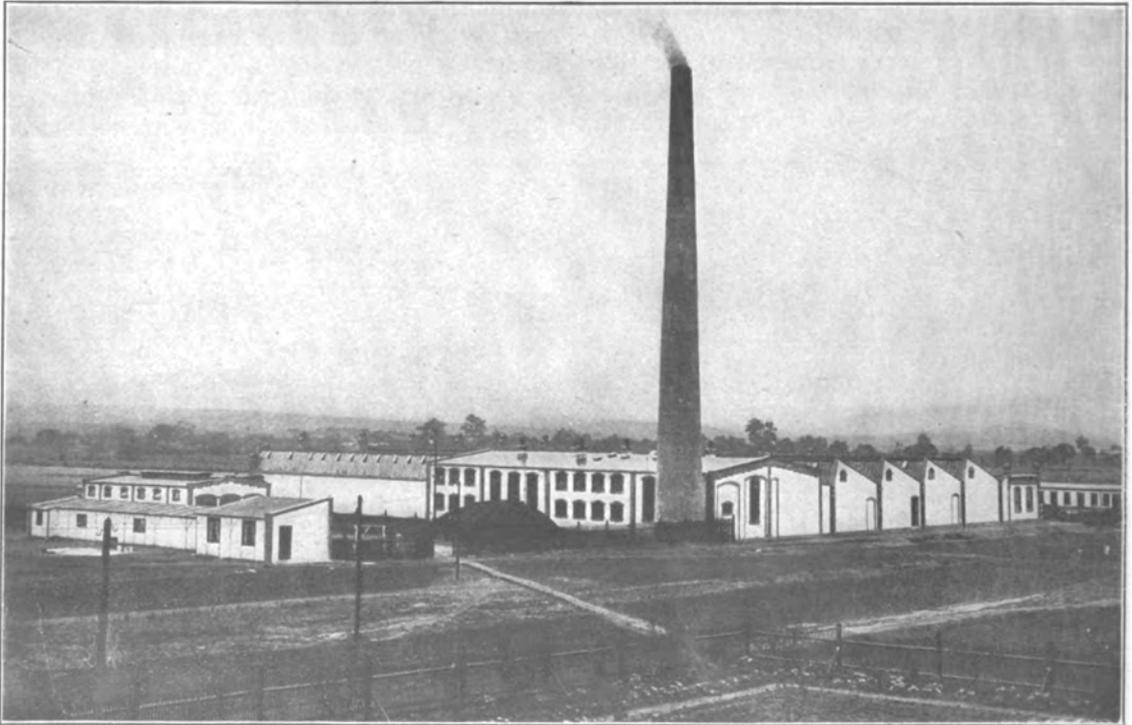
A floating dry-dock at Tsing-tau, where the Germans have begun developments

cheaply and deliver more satisfactorily than the rest of the world. For this, such rates must be named as were unknown in transportation experience up to that time. This was done. The plan by which three great railroad systems, reaching directly the markets in this country most interested in both the imports and the exports of the Orient, should work together for the public benefit was maturing.

The lumber business of the Pacific Coast made possible the naming of a rate, that should open to us the closed doors of the trans-Pacific East. The details then worked out have not lost their interest as part of our economic

history, although the splendid possibility they revealed has gone.

At the beginning the key to the situation was the lumber rate. There were 400,000,000,000 feet of standing timber on the Pacific Coast. It could not pay the ninety-cent freight rate to the East at that time, when lumber prices were but a fraction of what they are now. The railroads could not afford to haul empty cars west to carry that lumber east. It costs, roughly, \$160 to haul a car 2,000 miles across the continent. But they could afford to carry lumber temporarily at a low rate rather than bring cars back empty. And if in this way the lumber business could be developed, it, in



CHINA AS A MANUFACTURING COMPETITOR

A silk-winding establishment. There are about 45 of these in China (including the foreign concessions) and about 20 cotton mills, besides flour and rice mills, which are being built in the large centres



FREIGHT STEAMERS IN THE HARBOR OF YOKOHAMA

The greatest port in Japan. Next after it comes Kobe, Shimonoseki, and Moji

turn, would make possible later a low west-bound rate, on which trade with the Orient could be built up.

The lumbermen of the Pacific Northwest said that while the ninety-cent rate shut them out of the Eastern market, they could pay sixty-five cents and do business there. Market conditions at that time seemed, however, to require a rate of not to exceed fifty cents. The railroads offered a forty-cent rate on fir and fifty cents on cedar, and those rates went

into effect. In 1900 the state of Washington produced 1,428,205,000 feet of lumber; only six years later its product was 4,305,053,000 feet, with a total value of \$62,162,840. In the year 1906 Washington produced 61.5 per cent. of all the shingles produced in the United States. And the average mill value of Douglas fir, the principal lumber product of the Puget Sound forests, rose from \$8.67 per thousand feet in 1899 to \$14.20 in 1906.

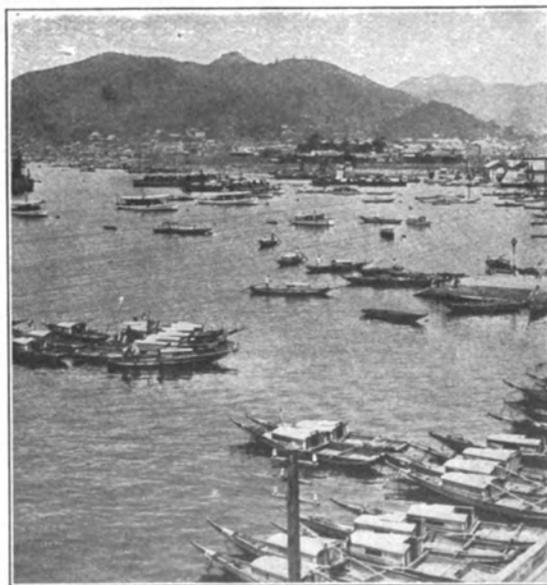
Before the state of Washington had direct



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TRADE AT HAKODATE

One of the smaller Japanese ports, on Hokkaido, the most northerly island and the least populous part of the Empire. It has a population of about 60,000



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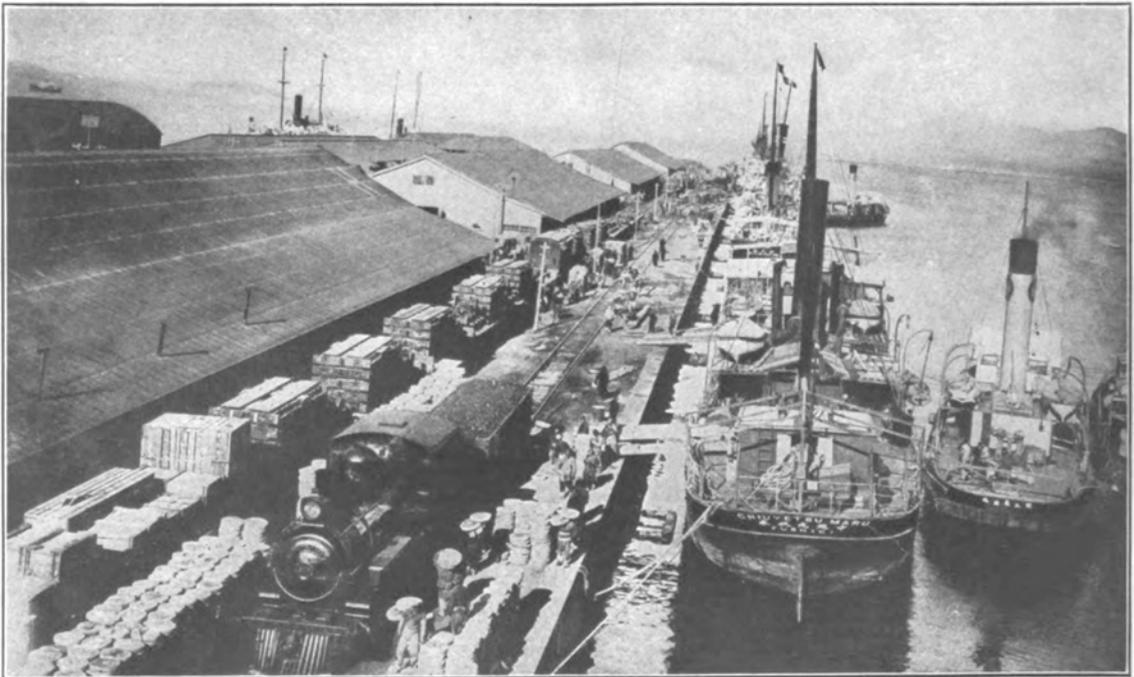
IN THE HARBOR OF NAGASAKI

On the island of Sa Kiado. It is one of the great ports that Japan has developed. Its shipping amounted to 2,712,052 tons in 1907

rail connections with the East, one could not give cedar logs away. They used to let them run out into the sea to get rid of them. Because low rates gave value to them, the price has gone up to the present figure. These rates added literally billions of dollars to the North Pacific states. Resources were developed, the people of the interior eastward had a more abundant supply of better lumber at lower prices than ever before, and there was an unprecedented growth of population and prosperity upon the Pacific.

The next and expected result was that the demand for this lumber grew until more cars

wedge for the trade of the Orient was driven home. A low rate on cotton took it from the lower Mississippi valley, Alabama and Texas, and carried it 3,000 miles to Seattle for shipment. In one year the number of bales of cotton piece-goods carried to Puget Sound increased from 13,070 to 64,542, and the number of pounds of raw cotton from 13,230,000 to 41,230,000. More and more manufactured articles and other freight took the overland route from the East to the Orient. More and more inroads were made upon the trade of competing countries. More and more staples from all parts of the United States began to



OPENING MANCHURIA TO TRADE — THE DOCKS AT DALNY

of it were coming east than there were cars loaded with freight going west. To equalize the traffic movement again, more west-bound tonnage was needed. It was found. Three cars of cotton were sent to Japan as an experiment, the railroads agreeing to take all the risks and bear all the expenses. A delegation from Japan passed through this country on its way to conclude a purchase of steel rails in Europe. The railroads guaranteed that the order would be duplicated at the price in this country. It could be done only by making a freight rate that would get the business; but it was done, and another entering

move westward. In nails, wire, machinery and other articles of that sort, a good business was built up in Japan and China.

Of course it all had to be done just as all other markets have been created or conquered since commerce began; that is, by making prices and rates that would beat all competitors. The mills of Minneapolis and those of Seattle and Spokane began to ship flour to Australia and to China and Japan. To make rates low enough for this, and to keep them low, steamships able to carry more cheaply than any steamships had ever done were needed.

In 1896 the Japanese Steamship Company

put on regular steamers to connect with the Puget Sound terminals. But if the Oriental trade was to expand as it clearly might and should, this arrangement would not answer. The mechanism of transportation must be as complete on sea as it already was on land. Somebody had to build ships that would carry at bottom figures. Most of the ships then on the Pacific were from 2,500 to 7,000 tons. To keep rates low the *Minnesota* and the *Dakota*, the greatest carriers in the world, were built. These were ships of 28,000 tons, constructed as the advance guard of a fleet that should handle commerce as it developed. American trade with the Orient should be wholly under American control. No accident and no foreign power should be able to interfere with the low rate and the adequate service on which its fate must always depend.



AT CANTON — A LIGHTER OF THE PACIFIC MAILS S. S. LINE from San Francisco, which "carries air" half the time owing to the competition of the subsidized Japanese lines

The business increased. The market was opened, the opportunity accepted, our trade with the Orient, no longer a dream, became a splendid fact, as the statistics show. In the ten years between 1893 when the Great Northern reached the coast, and 1903, the exports of the Puget Sound customs district increased from \$5,085,958 to \$32,410,367, or nearly 540 per cent. In those years our exports to Europe increased 50 per cent., to North America 80 per cent., to South America a little over 30 per cent., and to all Asia over 170 per cent. To Japan alone the increase was from \$3,000,000 to \$21,000,000, or 600 per cent.; to China, from \$4,000,000 to \$19,000,000; to Hongkong, from \$4,000,000 to \$8,000,000; and to the three, from \$11,000,000 to \$48,000,000, or over 300 per cent. At this rate it seemed that the bulk of the trade of the Orient was ours for the taking.



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LANDING AMERICAN OIL AT CHIFU

In the year ending June, 1900, the Chinese bought from the United States \$8,400,270 worth of oil — next to cotton cloth their largest American import

The advantages of such a market are greater than appear upon the surface. Our people are so disproportionately interested in the progress of manufacturing industry that, when new markets are mentioned, they think at once as a rule of places where our manufactures may be sold. But as about three-fourths of our trade with the rest of the world consists of agricultural products and raw materials, additional customers for these are most to be desired. For every new draft upon our surplus of them



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SHANGHAI, AT THE MOUTH OF THE YANG-TSE-KIANG the Mississippi of China, navigable for steamers for 1,000 miles. It is the main artery of trade between the interior of the Empire and the coast

enhances the price, and thus increases the reward of those engaged in adding to the real wealth of the country.

Now a new market including from five hundred millions of people upward was worth considering. We could not export a large range of commodities to the Orient. A people whose labor is so cheap cannot afford many luxuries. Labor is so expensive in the United States that the Germans and the Belgians

Most direct and perceptible was the benefit from opening such a market to the cultivators of the soil in this country; to the men who raise wheat and cotton and such other agricultural products as the Orient might absorb. Every additional bushel of wheat sold abroad tends to raise the price of the whole crop. The law of supply and demand is universal. The price of wheat is governed by it, and fluctuates according to the rise or fall of the visible supply,



THE HARBOR OF HONGKONG

This British colony in China does almost five times as much business with China as the United States. England does about twice as much, and India almost as much, in spite of the fact that the principal imports into China are particularly American products, such as cotton cloth, oil, and various manufactured articles

undersell our manufactured goods. But because this country can produce cotton, grain, iron ore, and coal cheaper than others, there are some things that, with low freight rates, we could lay down in Japan and China for less money than any other country can. If the Chinese should spend only one cent per day per capita, it would amount to \$4,000,000 a day, or nearly \$1,500,000,000 a year. We could not spare food enough to sell them that much.

which is the world's surplus. Cut that down and the price goes up.

Every bushel of wheat, every bale of cotton sold in the East is taken out of the market; is no longer here to compete in our shipments to Liverpool and Antwerp and other European ports. The farmers in New York and Ohio, in North Dakota and Washington must all be benefited; because the surplus is reduced by just so much, and the market price of the

remainder is affected exactly as if that much less had been produced originally. A good authority computed the enhanced price of American wheat on account of actual shipments made to the Orient at from five to seven cents a bushel in this country. On a yield of 650,000,000 bushels this would be a clear gain of at least \$32,500,000 in the national wealth; a gain bestowed where it would do most good—in the pockets of the farmers of the country. And the same is true of cotton and of other commodities furnished by us to the Orient.

Such was the opportunity created by the labors of years; such the value to the people of this country of constructive work in the field of Oriental trade. As we have followed the flow of that tide, we are now to watch its ebb. Destruction followed swiftly upon construction. Before considering the causes of the change, it will be well to examine the following table of commercial movements. The two sides of the wave, its advance and retreat, may be traced there mathematically. The

figures are from the official publications of the United States:

EXPORTS FROM THE UNITED STATES TO		IMPORTS INTO THE UNITED STATES FROM	
JAPAN			
1890.....	\$5,232,643	1890.....	\$21,103,324
1896.....	7,689,685	1896.....	25,537,038
1905.....	51,719,683	1905.....	51,821,629
1907.....	38,770,027	1907.....	68,910,594
1908.....	41,432,327	1908.....	68,107,545
CHINESE EMPIRE			
1890.....	\$2,946,209	1890.....	\$16,260,471
1896.....	6,921,933	1896.....	22,023,004
1905.....	53,453,385	1905.....	27,884,578
1907.....	25,704,532	1907.....	33,436,542
1908.....	22,343,671	1908.....	26,020,922
ALL ASIA			
1890.....	\$19,696,820	1890.....	\$67,506,833
1896.....	25,630,029	1896.....	89,592,318
1905.....	128,504,610	1905.....	161,982,991
1907.....	92,703,664	1907.....	212,475,427
1908.....	101,784,846	1908.....	181,167,616
ALL EUROPE			
1890.....	\$683,735,795	1890.....	\$449,987,266
1896.....	673,043,753	1896.....	418,639,121
1905.....	1,020,972,641	1905.....	540,773,092
1907.....	1,298,452,389	1907.....	747,291,253
1908.....	1,283,600,155	1908.....	608,014,147

II

AFTER this development was well under way, the future depended almost entirely upon the attitude of the Government and the people. The railroads and the ships, the customers and the freight, were ready. This country had to give to the Japanese and the Chinese wheat flour so cheap that they would use it instead of rice. It had to compete with the combined enterprise of all the other countries of the world, where production is often much cheaper than it is in the United States. Profits had to be cut to the bone.

The thing could be done; but only if those who were doing it were not hampered in dealing with that distant trade, so different in all its conditions from domestic commerce. From the beginning there were obstacles at home to be overcome, and these grew steadily in number and in difficulty. Results may be found in the preceding table. Our exports to Asia in 1890 were less than 3 per cent. of those to Europe. By 1905 they had risen to over 12 per cent. In the next three years they dropped

to less than 8 per cent. It is a sharply defined trade movement.

THE RESTRAINT BY THE GOVERNMENT

A direct restraint was the limitation by law of the rate-making power as applied to foreign trade. Over commerce on the high seas neither Congress nor the Interstate Commerce Commission has any direct authority. But their indirect control can be made complete and decisive. A through rate is made, say, from Chicago to Yokohama. That through rate is the affair of nobody but the transportation system that gives it and the merchant who gets it. Formerly the rate made was such as would get the business; because this was new trade, which it was desired to secure for the producers of the United States; and often to avoid hauling empty cars. If exceptionally low rates had to be given on a line of business or a heavy consignment, to take it away from the British or German or Belgian competitor, they were given.

It was possible to make them because heavy

HIGHWAYS OF PROGRESS



HOW THE UNITED STATES MIGHT HAVE CARRIED THE WORLD'S ORIENTAL TRADE

The route across this country would have given us control of the trade which Europe has fought over since Marco Polo. It had hopes of success against the Suez route until the rate regulation interfered with it

shipments to the Orient usually meant cars loaded to their capacity and an uninterrupted long haul. These conditions are favorable to a low cost of transportation. Then the railroad companies and the steamship company adjusted the matter between them. Each bore its proportion of the sacrifice. Each helped the other to get the business; and all of them helped the country by creating it and keeping it for the country. Whatever may be true of local traffic or against domestic competitors, this method is indispensable against the outside world if we are to compete for foreign trade. For our trade rivals abroad are unhampered.

But the making of low rates to secure foreign business was stopped. It was decided that the portion of a through rate which applies to transportation within this country — that is, the portion covering the distance from the point of origin of foreign-bound freight to its

port of shipment — is subject to regulation just the same as commerce wholly within the United States. The railroad and the steamship could no longer act as partners. For the rate to the seaboard must be published, so that everybody could know it. It could not be raised, under the old law, without ten days' notice, or lowered without three. Under the Hepburn Act it can neither be raised nor lowered without thirty days' notice, except by special order of the Interstate Commerce Commission for each case. This is equivalent to a prohibition of any change that will help to get business.

SECONDARY CAUSES OF TRADE DECLINE

There are secondary causes contributing materially to impede or impair the growth of our trade with the Orient. The advance in the price of wheat of late years has checked exports. The New York Produce Exchange reports the average price of No. 2 red winter wheat in that market for 1894 as 61.1 cents, and as 96.3 cents in 1907. It has been well above a dollar during 1909, and sold as high as \$1.50 in New York after all speculative support of the market had ceased. Where it could once be bought for 50 cents a bushel in the interior of the state of Washington, it now brings a dollar. An advance of 50 per cent., 100 per cent., perhaps 150 per cent., in domestic prices cuts sharply into the export trade. It is especially effective in those markets where, as in China and Japan, earning power and purchasing power are limited by a low wage-scale and a correspondingly forced low cost of subsistence, to which the price of the necessities of life must conform. Such a change as has occurred in prices makes wheat flour a luxury in many parts of the Orient.



THE GREAT NORTHERN'S COTTON ROUTE TO ASIA

A special rate was made to get this traffic to fill the cars that came East loaded with lumber

The American ship-owner is discouraged because he cannot earn a reasonable profit. The American merchant marine alone among the commercial nations of the earth is unsubsidized, yet competes with foreign vessels government-paid under one disguise or another. So far, for some reason, it has been found impossible to give proper Federal encouragement to cargo-carriers — which the people approve and would like to see done — without opening the treasury wide to the demands of concerns operating swift passenger steamers and contributing little or nothing to the growth of foreign trade. This the people properly refuse to sanction. So the actual carriers of our products to the Orient and elsewhere fare like Mother Hubbard's dog.

THE MANY GOVERNMENTAL REQUIREMENTS

Then the American who has put his money into vessels to be sailed under the flag of his country and wishes to help his enterprise by earning the small compensation provided for carrying the United States mails can qualify for this only by having his ships built by the high-priced labor and out of the high-priced materials of this country; officered by American citizens; and on each departure from the home port for the first two years he must prove that one-fourth of his crew are American citizens, for the next three years it must be one-third, and thereafter at least one-half. His competitors may man their vessels with cheap Mongolian labor. He must make lower rates than they and pay higher wages.

The sharpness of such competition is felt especially in the Asiatic trade. As it affects transportation, so it reacts upon the American merchant and the American producer. Not without comprehending the situation has a recent critic of our policies said: "We may build the inter-ocean passage, but unless we turn our eyes to the West and reach out for what waits the trade-seeker there, it will only aid in keeping the supremacy of the Pacific in the hands of the foreigners, and we will maintain it for the benefit of other nations."

These impediments to American enterprise are reinforced by circumstances unfortunately such as to anger and alienate the very people with whom we must enlarge our trade if we do business with the Orient at all. The Chinese and Japanese are proud, ancient, and honorable races. They have played great parts in history. In many respects they are

our equals. Chinese residents in the United States have suffered personal indignities, and sometimes loss of life, until the matter became a national scandal.

Without regard to the policy of restricting immigration, it may be said that the enforcement of existing laws on the subject and the suggestion of others have been attended by incidents highly offensive to the two nations commanding practically the entire Oriental trade in which this country can hope to have a considerable share. Resentment has extended in one instance to a practical national boycott for a time upon American goods. Everywhere it has produced antagonism to our people and unwillingness to enlarge any sort of relation to them; a condition so unfavorable to the growth of commerce that it can be overcome only after a lapse of time without repetition of the offense.

All of these causes combined to produce the results shown in the table of trade statistics which is printed on page 12499 of this article and exhibiting trade decline. An even stronger impression of the same fact is gained from a study of the reports of foreign commerce by customs districts, contained in the tables of the Federal bureau of statistics. Our trade with the Orient was formerly done largely through the ports of Seattle, Tacoma, Portland, and San Francisco. These cover the two trade routes across the Pacific from our Western coast. The first two are included in the customs district of Puget Sound. In 1890 the Oriental trade through that district was a negligible quantity. Our exports from it that year were but \$3,326,145. In 1908, with transcontinental service perfected and rail and ocean facilities increased, they had risen to \$44,032,767, an increase of 1,223 per cent. The big jump was from \$5,805,193 in 1895 to \$33,788,821 in 1902, before the Russo-Japanese War and hence free from its stimulating influence.

This marks a period in which Puget Sound itself changed from a wilderness to a great commercial centre. Coming down later, the total exports from that district in 1908 are found to be less than they were in 1906, and substantially the same as in 1905. There has been no growth in these three years. Since our carriers have been handicapped, much of the trade with the Orient has gone to the steamships of other countries, using the Suez route.

The moral of these figures is reinforced by the record in the same time of the import business, measuring our purchases from the Orient. The imports into the Puget Sound customs district in 1890 were only \$305,289, while in 1908 they had grown to \$22,208,814, an increase of 7,174 per cent. The increase in imports in these eighteen years is nearly six times as great as the increase in exports. At San Francisco, where there has been no such sudden local development and no advantage of a short ocean route, the figures are in another way even more significant. Our total exports from that port in 1890 were nearly \$37,000,000, and in 1908 only \$28,000,000; a falling off of about 25 per cent. Our total imports through San Francisco were just half a million dollars less, in a total of over \$48,000,000, in 1908 than they were in 1890. After eighteen years we are only marking time.

JAPAN PROFITING BY OUR MISTAKE

This check or setback occurred at a time when enlargement would have been greatest had trade been permitted to flow freely. These are the years when the Orient has called most liberally upon the outside world. The awakening so long foretold is here. Japan, since her successful war with Russia, has taken her place among the great nations of the world. She has organized her industry with the same scientific attention to details that she gave to her military operations. She has her own shipyards, in which her ocean carriers are built. She has her own factories, in which almost every manufactured commodity obtained heretofore from Europe or the United States is made by her own artisans, working for wages that would not be accepted here. She is preparing and hoping to dominate the Oriental markets and to invade those of the rest of the world.

THE CHINESE AWAKENING

Following her example, the Chinese empire has rubbed her sleepy eyes, and a similar transformation is going on there. The great productive fields of Manchuria are like our own in many respects. A German expert says that the iron ore deposits of the Tayeh district, sixty miles from Hankow, average from 58 to 68 per cent. and contain more than 100,000,000 tons of available ore. Twenty miles away there is good coking coal. He thinks that the total ore supply of China is

not much less than that of the United States. The coal supply of North China is estimated at 605,000,000,000 tons.

All these resources are in the possession of a people who believe that they should be enjoyed according to the law of conservation rather than under the rule of waste. All are to be developed under initiative not only caught from Japan but learned in these years of humiliation and disaster from the nations that have scorned China and done with her as they pleased.

The Chinese are one of the strongest races in the world; intelligent, industrious, frugal, and brave. They have several thousand years of history behind them. Both China and Japan have inventive as well as imitative ability. Gunpowder and the mariner's compass were ancient in China when the white race thought it had discovered them. Such men, endowed with such resources as are still untouched in the Orient, working under a wage scale with which the Western world cannot possibly compete, not only do not promise to furnish us with a profitable future market for manufactures, but they will eventually become competitors such as we have never had to meet.

THE ORIENT AS AN INDUSTRIAL COMPETITOR

The markets of Europe, our own markets, may, not long hence, be full of goods made in the Orient, for sale at prices so low that no tariff endurable by our own people would keep them out. Then we will begin to study the Oriental trade problem from the other end; perhaps with a humbler and more disciplined mind.

For the present we can sell some flour in China and Japan, until the Manchurian uplands shall be turned into wheat fields. Then China can grow wheat at a cost of seventy cents a bushel in silver, which is about equal to thirty cents in gold in this country. They can do as well in other industries, as soon as their resources are developed; and upon this every effort is being concentrated.

We sell them considerable raw cotton, which is taken and mixed with the Indian fibre to make a smoother and better fabric than they get from outside. At the present rate of growth in cotton manufacturing in the Orient, and with wages in China at from ten to twenty cents a day, the Far East will presently clothe itself and begin to think of entering the high-priced markets of the West in its turn. We have only

wheat, flour, lumber, raw cotton, some cotton goods, and certain lines of iron manufactures and machinery to sell across the Pacific.

The trade in these, owing to the facts set forth in this article, has not been extended or made permanent. It was experimental. It is still hand-to-mouth and of uncertain future. There was much activity during and after the war with Russia, but it has slackened. Our export of flour to all the countries of Asia in 1908 was less than in 1904, and very little greater than in 1903. It has grown 27 per cent. in seven years. The eyes of the Orient are fixed not on the United States but on the whole world. They are the eyes of men who have suffered, have learned, have become conscious of their own powers and propose to make the future recompense them for the past.

Of one other factor in the situation, perhaps as dangerous as any, our country remains strangely unconscious. Probably only the few persons actually engaged in attempts to compete with Oriental industry understand the effect of the difference in the exchanges between two countries having different monetary standards in value or in use or in both. It makes the Orient a sharp competitor.

A LITTLE-KNOWN CHINESE MENACE

As soon as capital is supplied to develop her native resources, she will furnish her own raw materials for manufacture, buying them in her own markets on the silver basis and selling them abroad on the gold basis. This will enable her, as long as her own people are content to accept these low silver prices for material and labor, to cut our prices in two. Bar silver sells at about fifty-two cents per ounce in New York. On this basis the silver in a dollar is worth about forty-five cents. The Chinese manufacturer who can pay his workmen their low wage with silver worth its face, and sell his product for gold that is convertible into silver at twice its face, has an advantage which we cannot ignore or escape.

Twenty years ago Japan felt for us something of the fine loyalty, the reverence that admires without analyzing which the bright boy feels toward an elder brother. At an even later date China regarded us as the least uncivilized

of the nations that looted her ancient capital and despoiled her immemorial temples for the decoration of modern drawing-rooms. In both we might have laid the foundations of a future commercial connection so deep and sure that they could not be disturbed. To-day the favoring moment has passed. To-day the instruments by which that trade must be done are either broken or impaired, while much of the trade itself has gone elsewhere, and more is being destroyed by the rise of native industries to which both offended race-feeling and the economic incentive give impetus.

To-day the United States is in the Orient where it is in all the other markets of the earth: face to face with a world-wide competition, with an interest growing but slowly or actually declining, with a high cost of production and with the prospect that its customers are only waiting the time, near at hand, when they can become its competitors. The situation is more momentous for this than for any other country, because control of the Pacific touches our future and unites our fortunes with those of the other nations that live upon its shores.

WHAT WE CAN AND SHOULD DO NOW

The outlook is not hopeless, but it is not encouraging. The country needs to rid itself of the illusion that its Oriental trade is to be one of the big elements in its future prosperity—a conception still lingering grotesquely in many minds, along with the idea that we are powerful competitors of other nations in the world's markets for manufactured goods—and settle down to saving such of it as can be saved. There are still possibilities if all the transportation forces, all the people, the Federal Government, and the laws should unite to protect, to encourage this traffic, and to liberate it from the bondage against which it has almost ceased to struggle.

The constructive and the destructive epochs in the life of this portion of our foreign commerce are as interesting and as instructive as many volumes of political history or political economy. If there should come a keener vision to our people and their leaders, out of mistake and failure there might yet, perhaps, be wrought something of moment to the future of our nation and its destiny on land and sea.

[Mr. Hill's next article deals with one of the fundamental problems which vex the public mind—how to control the great combinations of capital. Mr. Hill shows the futility of trying to maintain an artificial competition where the economics of the situation favors combination; he discusses the cost of competition and explains the benefits and evils of consolidation.]