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In Sextuplicate to the Department of State.

(A copy of this report is intended for the United States Shipping Board, if approved for that purpose.)

(A copy of this report is being sent to the American Legation at Peking, China, the same to be available for the American Commercial Attache for China.)

COMMENT ON FAR-EASTERN SHIPPING POSSIBILITIES.

From Consul General (Thomas Sammons) at Shanghai, China. May 27, 1919.

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Shipping men in the Far East are very much interested regarding such action as may be taken, and purposes by the American Government in the operation of vessels engaged in the carrying trade to Shanghai and to other ports in the Orient. Interest is also manifested in the reported establishment of a new steamship company, to operate between Los Angeles, California, and the Far East, it being reported that one steamer has already been assigned by the United States Shipping Board and that others will be assigned as demands may warrant. Prices for the sale

As a general proposition, it is assumed that, whatever the method of operating the government tonnage or whether, as now, by the government, or by sale or charter to private interests, the government will ascertain that the tonnage is so employed as best to meet the demands on all routes and to enforce equitable freight rates, all primarily with the end in view of stimulating its foreign trade to the utmost and, in view of this, it is felt that Shanghai will always find itself well taken care of and that shippers between the United States and Shanghai, utilizing

Japanese ships, there will be sufficient tonnage available

experience

this

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perience any great difficulty in procuring space without little paying any more than government rates therefor.

It appears to be obvious that the government must continue to operate its vessels for its own account for some time, as private interests may not be expected to purchase or charter the government tonnage now on account of the very uncertain business conditions prevailing to-day, and the very high operating expenses in force as against the lower freight rates now applying on all routes.

The opinion seems to be general that conditions throughout the world may become sufficiently adjusted by the end of the year so that there will be a considerable revival of trade, which should increase in volume for three to five years, at least, and this will so stimulate shipping as to insure full cargoes for ships at, probable, fair rates, so that private interests may be encouraged then to take over the government tonnage by purchase or charter provided that the government should desire so to dispose of it. Of course, the government's prices for the sale of its ships would have to be based on those prevailing at the time of sale for new construction, rather than the prices which it had to pay for its construction during the war, the government writing off, as a war debt, the difference between its purchasing and selling prices. If the government should decide to charter its ships to private interests, charter rates would have to be such as would enable charterers to compete with other commercial shipping enterprises.

There seems to be a general feeling that, including Japanese ships, there will be sufficient tonnage avail-

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to the Department of State.

able to meet all requirements at this port for some time, subject, of course, to the deferring of shipments a little longer than desired by shippers at times, provided the government does not take over more of the American ships now calling here for the shipment of food supplies to Europe and railway supplies to Siberia. But additional tonnage may be required for exports from China as soon as business conditions, generally, become more settled by the stabilization of freight rates and the values of commodities, and this need may be met by having homeward-bound American steamers from Vladivostok call here for cargoes to the United States.

In connection with the foregoing, however, there seems to be some fear that, as soon as the congestion of cargoes for the Far East is removed from Pacific Coast terminals, there may not be sufficient incoming steamers to meet the requirements for outgoing cargoes unless there is a very large increase in the volume of new purchases made in the United States from oriental countries, purchased being limited to immediate requirements at the present time on account of the general anticipation of larger decreases in prices later on.

The observations as given here were gathered from those interested in the shipping business before they had had an opportunity to examine the proposed plans of Mr. Edward N. Hurley, Chairman of the United States Shipping Board, for the operation of the new American merchant marine, as published on March 27, 1919, and just received here.

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