

PROFITS ON COTTON SPINNING IN JAPAN AND CHINA.

Of all the industries which have been recently developed in the Far East, cotton spinning is the one which is most likely to come into direct competition with the products of British manufacturers, and, therefore, it is desirable that they should keep themselves acquainted with the actual conditions. Returns were recently published of all the Japanese cotton mills for the half-year ending December 31 last; and from these we gather that that half-year has been a critical period for not a few spinning companies, and, upon the whole, a very trying time for all engaged in the industry. During the six months under review, the number of spindles in operation was, on the average, 781,619, against the average number of 592,425 during the corresponding half of the previous year. In 12 of the mills the profit cleared per spindle ranged between 2.077 to 4.378 yen, but in others no profit was declared at all. However, taken as a whole, the profit declared was 8.8 per cent. per annum as against 14.3 per cent. declared for the previous half-year. The cost of production increased in all its items, while the market price of yarn rose very little, thus causing the profits to diminish. During the corresponding half of the previous year, the ruling price of raw cotton per 100 catties (one catty = $1\frac{1}{3}$ lb. avoirdupois) was 18.700 yen as against 20.115 yen for last half-year, while the price of coal had increased from 17.16 yen per 10,000 catties to 30.04 yen for the last half-year. The average daily wages of male and female operatives stood during the last half-year at 23.17 and 13.94 sen respectively, as against 19.96 and 11.83 sen during the corresponding half of the previous year (1 yen = 100 sen = about 2s.). On the other hand, the average market price of No. 16 yarns per 100 catties, stood at 93.74 yen, as against 92.50 yen for the corresponding half of the previous year; that is to say, that while the price of coal rose by more than 75 per cent, the wages of male and female operatives by 16 and 18 per cent. respectively, and the market price of raw cotton by 7 per cent., the rise in the price of yarns did not exceed 1 per cent. Under such circumstances the companies could not afford to add much to their reserve funds, the amount so added amounting to only a little over 1 per cent. on the total paid-up capital. The total reserve funds now amount to 5,835,239 yen and the paid-up capital to 21,167,791 yen, so that the total reserve funds

bear a ratio of 27.6 per cent. to the total capital invested in the various cotton mills. This will serve for the purpose of equalising dividends, but if the present conditions continue—and there is every prospect of their getting worse—it is probable that before long the reserve funds will be much decreased. In looking at dividends in the future, therefore, it will be necessary to inquire whether they have been wholly earned during the half year or partly taken out of the reserve funds. It is quite evident that notwithstanding the low rate of wages in Japan, the change in economic conditions is rapidly removing the probabilities of the direct competition of Japanese cotton yarn with that of British manufacturers.

It is still too early to say much about the cotton industry in China, as it is only in its initial stages; still, some figures which were recently given by the Shanghai correspondent of the *Times* will no doubt be interesting to our readers. Of the five foreign-owned cotton mills which commenced working at Shanghai in 1897, three have recently published their first reports and balance-sheets, and the correspondent expresses the opinion that the results therein shown hold out promise of a great development of this industry in the near future. He believes that the cotton-spinning trade in China offers a wide and fruitful field wherein the honest methods and trained intelligence of the European are for once placed at a distinct advantage over native competition, and he is surprised at the comparatively small interest hitherto given to the subject in the Press, while it is probable that cotton spinning will have a great development in China; still it is advisable, in view of the figures which we have given above about Japan, that investors should be very careful. If China goes in largely for industrial development, wages and prices are certain to rise and profits to decrease, and in some cases to disappear. Moreover, we must always remember that while the investment of foreign capital in China may benefit the capitalists, and the people of China, it adds to the competition with the manufactures of this country, and if it became general would close our foreign markets. While, therefore, the mills in Shanghai are still in their experimental stage it would not be wise to draw very definite conclusions regarding them; still some facts about them, so far as they have gone, will not be without interest.

The average complete cost of a 40,000-spindle mill may be set down at about a million and a quarter taels (say, 160,000). None of the establishments of which the reports have been published have yet attained their maximum capacity, the best result shown being 34,000 spindles working night and day for 11 weeks; but notwithstanding this fact, dividends varying from 3½ to 7 per cent. per annum have been declared, and this result has been obtained with labour that is practically unskilled, very few trained hands being obtainable at first. Three women are required to do the work at a frame which in England would be superintended by one operative; but as the managers report that the quality of the labour is steadily improving, and the supply thereof is unlimited, this factor is likely to disappear in time. As matters stand at present, if we take the total wages of three women per day of 11 hours at 90 cents (about 1s. 9d.), and allow the output per frame to be 25 per cent. less than that obtained in Lancashire, the conditions are still considerably in favour of the local mills.

The yarn produced by the Shanghai mills is found to be superior, both in colour and in quality, to that of Bombay and of Osaka, selling at 3 to 5 taels higher than either of these per bale of 400 lb. The present price of Shanghai yarn varies between 70 and 78 taels a bale, according to count. The future trade of North China in Japanese and Indian yarn must, to a great extent, depend upon the course of the silver market. The following are the figures for 1896 and 1897:

	1896.	1897.
	Piculs.	Piculs.
English spun	26,000	18,900
Indian „	857,000	630,000
Japanese „	96,000	190,000

The total quantity imported in 1897 was almost wholly intended for reshipment coastwise and inland, the amount remaining for local use not exceeding 30,000 piculs. Against this some 90,000 piculs of Shanghai yarn were shipped to Szuchuan and to the northern ports. The details of the shipments by the first steamers to these ports for this season show a great extension in the trade with

Indian and Japanese yarn, and at the same time a liberal consignment of spinnings from the Shanghai mills; and the correspondent of the *Times* believes “that there can be no doubt that when the pioneer foreign mills are in full working order, with a total 350,000 spindles, native industry will largely supplant both India and Japan in producing yarn for the inland trade of China.” The British Consul-General at Shanghai in his last report said: “These mills will not for many years, if ever, compete with Lancashire. Their first effect will be to stop the import from Japan and India, and this interference with the trade of India is the only circumstance detrimental to the trade of the British Empire which is to be anticipated from their success. I speak only of the near future, for what may be the ultimate effect of the development of manufactures in China and Japan upon the trade of Great Britain it is impossible to foretell.” Mr. Brennan, in the report to which we have referred more than once, speaking of the probability of Japan-made cotton yarn capturing the China market, says that “it is more probable that while Osaka and Bombay are competing for the prize, the Chinese operative will arise and seize it for himself.”

The factors in this problem are too uncertain to allow anything but very vague speculations, which are not at all profitable. The conditions of labour are changing very rapidly, and it is probable that, taking into account its relative efficiency, it may be found before long that Chinese and Japanese labour in the cotton industry are as expensive as British. Again, the price of coal is a very important element. At the present time it is abnormally high both in China and Japan, and circumstances might easily arise to reduce or completely check the supply at a moment's notice. On the other hand, the development of the immense coalfields in the north of China would have an immense effect on the industrial progress of China. We must, therefore, watch the course of events, and endeavour to forecast how far they are likely to cause a change in the conditions of British trade with the Far East.