

South China is accounted for by cotton and woollen textiles. Japan and the United States have taken advantage of the opportunity presented by the war to enlarge the market for their products in China. United States firms have been making considerable headway in building up an extensive trade and have been shipping large quantities of iron and steel and other metals, machinery, railway equipment, hardware, canned provisions, timber and flour. The Japanese in South China have pursued the aggressive policy of economic penetration, which also characterizes their activities in the north. The province of Fukien they regard as their special sphere of influence by reason of its proximity to Formosa and have been active in the buying up of concessions and the installation of electrical and other plants in this province. Every effort has been made by the Japanese to increase their exports to South China. The streets of Canton and other cities reveal a great variety of goods from Japan, including all kinds of the cheap utensils and trinkets, which have such a large sale among the Chinese. Among other prominent imports from this source may be mentioned textiles, machinery, electrical appliances, drugs and chemicals, hosiery, matches, flour, household stores, beer, paper, chinaware, clocks and hardware. Up to the present the business done with South China in Canadian products has not been large. A varying quantity of Canadian flour has been shipped to the Hong Kong market in past years. A good opportunity should be presented after the war for the enlargement of Canadian trade in such lines as flour, timber, iron and steel, canned provisions, dried and salted fish, tinned milk, paper and leather. A consideration of the trade with Hong Kong in each of these lines is given below.

DISTRIBUTION OF IMPORTS.

The trade of Hong Kong with other countries both in foreign goods and Chinese products is handled almost entirely by foreign merchant houses. These firms in many cases have branches throughout the country. Although often devoting special attention to certain lines, they generally deal in all sorts of goods and are usually prepared to take on any new branch of trade that presents itself. The native dealers at Canton and other centres are often represented in Hong Kong by brokers and make their purchases through these intermediaries. The trade in foreign goods is very largely centered in Hong Kong. There are a few foreign firms at Canton, Swatow and other South China ports, who order merchandise direct from the countries of supply, but their field of activity is limited. There is no apparent tendency for these other ports to become independent commercially of the British colony. The native dealers by buying through Hong Kong have the choice of a larger and more assorted stock, while no other town is so well situated to serve as a distribution centre. The trade of South China is also in large measure financed from Hong Kong.

DIRECT DISTRIBUTION.

Foreign goods are therefore mostly distributed by native dealers throughout South China, who obtain their supplies from the foreign merchant firms established at Hong Kong. In certain lines, however, there has been a noticeable development of direct business connections with Chinese in the interior. Such articles as kerosene oil, household soap, cigarettes and sugar, having a universal demand and involving the maintenance of large stocks are sold through the medium of an extensive organization of native agents, superintended by foreigners stationed at local centres in all parts of the country. In this way the competition of rivals is rendered difficult and better control can be had over distribution. It is thought by some that this principle could be extended to other lines and that foreigners should in general take a more active part in the sale of goods to the Chinese. A better knowledge of the special requirements of the market can be acquired in this way. It is pointed out that this policy can be associated with the buying of Chinese products for export abroad along the lines followed by the Germans. In the case of machinery, for instance, a staff of trained Chinese engineers or mechanics under the supervision of foreigners is neces-