sample. There are altogether three British, two French, two Japanese, one American, one Chinese, one Russian, and a Dutch bank doing an exchange banking business at Hong Kong. The colony is provided with its own local currency, the unit being the silver dollar, which is subdivided into 100 cents and which has a value approximating in normal times that of the Mexican dollar. The circulating medium is comprised both of bank notes and silver coins.

The monetary system in South China is as confused and non-uniform as in other parts of the country. Productions of the local provincial mints and chopped Mexican dollars circulate as currency, while the money of account is the tael of silver, also variable in different places. At Canton the standard is the Sze-ma tael, which is the heaviest mercantile tael in China, weighing 579·85 grains, but of varying fineness.

CREDITS.

At the present time business in China is conducted almost entirely on a cash basis. This was also the case in the early days of the trade with foreign countries. Towards the end of last century the Germans commenced to make determined efforts to break into the trade already held by their competitors and as a part of their policy introduced the granting of long credits up to nine months. The firms of other nationalities were compelled to follow suit. This policy brought in a class of unreliable native dealers and brokers of insufficient means, who otherwise would have been unable to do business. As a result frequent losses ensued. After the outbreak of the war, the liquidation of the German firms established at Hong Kong was proceeded with and many illuminating facts were brought to light. It was shown that a considerable business had been conducted by the Germans at a loss or on the principle of making one department pay for another. It is unlikely that a return to these pre-war conditions will be possible. In certain lines, such as machinery, credits will no doubt have to be granted after the war, but only to a moderate extent and under suitable guarantees. There is also no reason why credit should be withheld, when necessary, from old-established firms of unquestioned standing. Satisfactory references can usually be obtained. The great bulk of the business with Hong Kong, however, will undoubtedly continue to be conducted on a strictly cash basis. It is significant that the Japanese who have most faithfully followed German commercial methods in other directions, have not resorted to the granting of credits as a means of capturing trade from competitors. The question of credits should therefore not deter Canadian firms from seeking to develop business with South China.

EXCHANGE.

All business relations with South China are greatly influenced by the fact that the currency is on a silver basis. The exchange rate of silver in relation to gold therefore affects all dealings with countries whose currency is on a gold basis. This is one of the explanations of the great elasticity noted in the volume of trade with China. A low rate of exchange prejudically affects imports by raising the price in silver currency to the consumer. A greater quantity of silver is required to settle the account quoted in gold of the overseas exporter. For the same reason an increase in the quantity of Chinese products exported usually results from a low rate of exchange, and vice versa, when the exchange is high.

OPPORTUNITIES FOR CANADIAN TRADE.

Canada is advantageously situated for trade with Hong Kong. In normal times there are frequent sailings from Vancouver on what is the shortest route across the Pacific and all these steamers make Hong Kong their principal port of call in the Far