have shown a tendency to become more liberal in the matter of credits, due no doubt to the opening of a branch of a New York bank, and to the closer study which has been and is being made of South American commercial conditions.

The reason for the need of credit facilities in South America is one that should be understood by Canadians. It is a new land, and therefore cash is not abundant. It purchases largely, indeed most of the manufactured goods which it consumes, and being situated at a long distance from the chief source of supply, it becomes a necessity to carry large stocks. It is not as if an importer in, say, Chile, could send a telegram and perhaps have the goods in two or three weeks as may a merchant in the Canadian western provinces under certain conditions; in the former case the interval would have to be counted by months instead of by weeks.

Some firms may argue that it is not because they do not trust South American importers that they require cash payments, but that the extent of their capital does not permit of their being out of the proceeds of their sales for such a long interval of time as four to six months. This bespeaks either an unfamiliarity with international banking operations, or the want of adequate bank credit, or a lack of co-operation on the part of the banks.

Paying for Merchandise.

The usual methods of paying for merchandise are more or less as follows: (1) The importer may open a bank credit in favor of the exporters; (2) he may remit with order; (3) he may, if he is buying on open account, remit at his convenience; (4) by a draft drawn on him by the shipper, to be paid at sight or in whatever interval of time may have been previously arranged.

The question of credit, as it affects international trading, is a large one, and has naturally been reduced to a more exact science amongst European and Eastern traders than amongst those of the western hemisphere. The objection most commonly raised to overseas trade is, that owing to distance it is difficult to obtain reliable reports and therefore undue risks have to be taken. There is no business man of any consideration whose financial standing cannot be ascertained within five to fifty hours by means of the telegraph and submarine cable. This may be obtained through the medium of banks, mercantile agencies, or friends, or all three combined, none of which is infallible. But the same means must be employed for securing reports on customers residing in the manufacturer's own country, and it was not so long ago that the western provinces were as inaccessible to Eastern Canada as Rio and Buenos Aires are to-day.

A notable financier stated several years ago that credit was largely a matter of character and that record was of the highest importance. A comparatively poor man with an honorable name may obtain credit that would be refused to a rich one. So, while it may be somewhat difficult to obtain an actual financial rating, it is far less so to ascertain the character a merchant bears, that is, whether he is good for his obligations or not. There must be much in all this, otherwise the system of credit would not continue to expand as it does, and the European merchants who have been practising it for so long would cease to do business on such lines. The idea of unlimited or incautious credit is not contemplated for a moment, but only that kind which is allowed by the largest and most successful firms.

Up to the present there is probably no free discount market in Canada for bills drawn on South America. Such a state of affairs reacts disadvantageously on the shipper, particularly if he is located in one of the smaller inland towns or cities. Presumably all drafts drawn in a country town on South America, are sent by the manufacturer's bank to their head office, and by the latter to their New York or London agency. The manufacturer has to accept the rate of exchange fixed by the bank, which may be the best of the day, although it is hardly likely to be so favorable a one as might be obtained if he were able to offer his draft to several brokers. No doubt in time, if Canada's foreign trade expands, such disabilities as this will disappear, and arrangements will be made whereby manufacturers may be placed upon a more equal footing in facilities with those of the United States and Europe.

From information elicited when in Canada last year, it would appear that if a manufacturer draws a bill upon a foreign customer, the sum placed to his credit will be debited to the total amount of his overdraft, where such has been arranged. That is, if a manufacturer is allowed accommodation up to $100,000 and has already used up $80,000 of this, and draws a bill upon a foreign customer for $10,000, the balance of his accommodation is reduced to $10,000, until the proceeds of the foreign draft are received from abroad. If such is the case, it does not seem altogether fair, as the bank is doubly protected; it can not only come back upon the drawer of the bill, if it should go to protest after due acceptance, but it has control of the shipment until the draft is accepted by the consignee. It may be understood that a banker in a small town whose dealings are confined to domestic trade, or perhaps with the addition of some business with the United States and the United Kingdom, is a little fearful about buying drafts on South American countries, particularly as up to a few years ago they were supposed to be in a constant state of revolution.

Bank Takes Some Risk.

The bank is forced to take some risk, and this varies in the ratio of the stability of its client. If the client be perfectly sound the risk is practically nil, but if not the contrary is the case, as in the contingency of the consignee refusing to accept the draft, or being unable to pay it when due. In the former, the shipment of goods may be thrown upon the bank's hands, in which event it would have to look to the exporter to make good any loss incurred. In estimating the degree of risk to be assumed, in the supposition that the shipper is known to be somewhat shaky, and the strength of the consignee is believed to be doubtful, due regard must be given to the contents of the shipment, and also to the commercial and financial conditions ruling in the country of destination, the reputation of the bank's agents, and as to whether they can be depended upon to do their best for their clients, etc. For instance, the hazard on a shipment of staple commodities when trade is brisk is small, as if it is thrown on the agent's hands, to be sold for his Canadian client's account, he will probably realize on the goods with little loss, and may even make a profit. If trade be slack, however, the difficulty is increased. On goods such as motor cars, which have a ready sale when business is brisk, but are a drug on the market when it is flat, the risk then varies with trade conditions. A shipment of perishable goods affords the minimum of safety, as it may deteriorate, and buyers knowing the circumstances, and the urgency for an early sale, invariably hold back to force down the price.

Such being the circumstances, and conditions in South America being as little known to the average bank manager as to the average manufacturer, it can be easily appreciated that he is loath to assume what may to him