

## IS CREDIT NECESSARY IN EXPORT TRADE?

### HOW AND WHEN IT SHOULD BE GRANTED

By E. B. FILSINGER,

Export Manager, Lawrence & Co., New York City.

#### CAN CREDIT BE SUCCESSFULLY EXTENDED ABROAD?

There are three questions that may be asked regarding the extension of credit to foreign countries. They are as follows:

1. Is credit really needed?
2. Can it be successfully granted?
3. How great is the risk?

The answers may be given as simply as the questions are asked:

1. Yes. Credit is an absolute essential in foreign trade. It is only in rare instances that a large volume of business can be done on a cash basis.
2. Yes. Credit can be successfully granted. It is being extended today by many leading American firms. They have been granting credits over a long period of years.
3. With ordinary precaution the risk is negligible. Generally speaking, foreign credits are 99½% to 99⅔% safe. In other words, experience has proved that credit losses in export trade average from 1/3 to ½ of 1%. It is only rarely that they are as large as 1%.

#### WHY CREDIT NEEDS ABROAD ARE IDENTICAL WITH DOMESTIC REQUIREMENTS

How much business could be done in the United States if manufacturers, merchants, wholesalers, and retail dealers were held to cash terms? Suppose that all the traveling salesmen representing distributors of merchandise in the United States, from Duluth to New Orleans or from New York to San Francisco, suddenly received telegrams from their principals instructing them to demand a letter of credit with each order booked? The effect of such a message can be easily imagined: The trade of the United States would be brought