

ance by the U.S. public of the role of trading houses and the raising of the export awareness level of U.S. manufacturers and producers. While the Task Force believes that such changes in Canada would not have an immediate impact, new efforts are required to increase Canadian exports. The costs of not pursuing all exporting alternatives are likely greater unemployment and a lower Canadian standard of living. The Task Force, therefore, recommends to the Government that:

Recommendation 30

Legislation be amended or introduced to allow Canadian chartered banks to own and operate up to 100 per cent of trading houses which may take title to goods for a temporary period for trade purposes.

THE DISTRIBUTIVE TRADES AND EXPORTING

In Canada, the distributive trades can be described as those companies involved in the domestic distribution and sale of goods, and in some cases services. These would include retailers — both mass merchandisers and specialty shops, food retailers, wholesalers — both of food and dry goods — and co-operatives. The questions that can be asked are — Can Canadian retail and wholesale merchants apply their knowledge and resources to become export merchants? — Is it a natural step for domestic distributors to become international distributors? Based upon its research and examination of this area in Canada and abroad, the Task Force believes that there is a viable case to be made for certain sectors of the Canadian distributive trades to become involved in exporting. Given the nature of their existing intermediary function between the supplier and buyer, the trading house concept best fits this role.

The sectors that the Task Force believes contain the best potential for developing an export function, include:

- (i) Major mass merchandisers, food retailers, and wholesalers;
- (ii) Co-operatives.

Several of the characteristics and strengths of the distributive trades are common to all its sectors and can be applied to exporting. These would include:

- (i) Product and Sourcing Knowledge:
Knowledge of domestic and foreign goods within a product grouping which are already handled: ranging from the reputation of the supplier, his financial standing, his supply capacity and ability to deliver, track record, price and quality characteristics of the goods, merchandising, promotional and display needs, and the ability to adjust to consumer demand;
- (ii) Financial and Human Resources:
These would include significant balance sheet assets, established banking relationships, track record for domestic business and managerial capabilities, human expertise in importing, transportation logistics, financing, consolidating shipments, inventory control, purchasing, and the items mentioned in (i) above;
- (iii) Goodwill and Market Clout:
This would cover established relationships with buyers, ability to achieve volume prices, and a well-recognized name and reputation;
- (iv) Existing Overseas Contacts and Travel:
Assets here would include established contact with foreign suppliers and previous international market exposure.

Mass Merchandisers, Food Retailers, and Wholesalers

In the course of its examination of this area, the Task Force spoke to numerous participants in the distributive trades. These discussions revealed that a level of export awareness and interest did exist on their part but that the current state of domestic affairs relegated this interest to that of secondary importance.

In the case of the mass merchandisers, much of the initial interest arose from the participation of the Hudson's Bay Company, Eaton's, and Woodward's in a Program for Export Market Development grant given to the Retail Council of Canada. The purpose of this project was to explore the opportunities for retailers to export Canadian consumer goods. As part of this project, visits were made to thirteen major European retailers. Some of the preliminary findings indicate that Canadian retailers have easier access to the European retailing system than do sales agents or distributors, and that once a product has been accepted by one retailer, market penetration is quickly achieved. However, more importantly, the project group concluded that three possible alternatives could be employed by retailers for participating as exporters of Canadian-made consumer goods by acting individually as buying agents for foreign stores, by forming their own trading operations, or by forming a consortium of Canadian retailers to act as an export trading company. Any of these alternatives could be supported by the formal network which exists between Canadian retailers and their European counterparts through the international buying groups with which Canadian retailers are affiliated. These groups could provide the initial links required to initiate an exporting operation.

Major Canadian food retailers, on the other hand, have already had involvement in exporting as sources of supply, particularly for "no name" products. The Task Force believes that this can be expanded into an active exporting function. In this context, some food wholesalers have already done so and are covered in the Task Force's Survey.

In a fashion similar to the food distributors and mass merchandisers, Canadian wholesale distributors of industrial supplies and automotive parts also possess the product and market knowledge and distribution skills that can be applied to exporting. Several of these have been exporting to a limited extent in the past.

Co-operatives

The Canadian co-operative movement has more than 9 million members and assets of over \$40 billion. It is a significant economic force in the domestic marketing of commodities such as grain and livestock. While some agricultural co-operatives are already extensively involved in export trade, significant potential exists with other co-operatives that are now only beginning to appreciate the opportunities which exist.

Our information is that in Europe and in a growing mode in the United States, co-operative organizations are trading extensively with sister organizations in other parts of the world. European co-operatives have reached over \$16 billion in such trading. This is largely an unexplored area for the Canadian co-operative movement. The viability of Canadian co-operatives becoming involved in exporting is supported by several Canadian studies on the sector.

Implications

The Canadian distributive trades have some of the necessary demonstrated strengths for engaging in exports. In most cases, their unfamiliarity with the exporting process and the fact that they see domestic operations as