

A Market for Foreign Goods

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MORE than ever before Canadians are aware of the importance to our national income of a high level of foreign trade. There is also a growing realization that a large export surplus in our balance of payments on current account could only be maintained through the extension of substantial export credits, or by capital investment abroad. Neither of these alternatives is really feasible. We, therefore, return to the premise that the only way we can attain the volume of exports which will permit us to dispose of our surplus produce is through our willingness to accept almost as great a quantity of imports.

Yet the solution is not quite as simple as it may sound. Within our overall balance of payments on current account there is a need for redirection in the flow of trade. Or in essence, we must buy more from those who buy more from us, and sell more to those who buy less from us. This means encouraging imports from Europe and promoting the sale of Canadian goods in the United States.

So let us examine the factors involved not only in redirecting our attention to European sources of supply for those things which we formerly purchased in the United States, but also in increasing the sale in Canada of merchandise not formerly offered here by our customers overseas. As a retailer it is to consumer goods that this discussion will be restricted.

It would be unrealistic to imagine that

there are no practical difficulties involved in such a program. On any basis it must be considered a long term project requiring continuous application by the Canadian importer and foreign exporter of all their business techniques. For we in Canada have become acclimatized to the North American standard of living. Today it is not a boast to say that in material terms the standard of living which we and our American friends enjoy is far greater than that in any other nation in the world. It is our closeness to the United States which makes this problem of buying from a source thousands of miles away so much more difficult. For the accident of geography makes the Canadian importer naturally turn to the United States for many of the products he wishes to buy. First of all the United States market is the most extensive in the world. It provides a variety and range of merchandise which is not even approached by any other country. Aside from that, with our open border and the relatively free movement of Canadians across it, there has naturally developed a demand for what Hollywood has enshrined as "The American Way of Life". Then, too, our Canadian consumer is subject to a barrage of advertising in all forms of media, promoting the new gadgets, new styles and the good things of life which his American friend accepts as his birthright. Newspapers, magazines and the radio—and now television—con-

tinuously repeat the desirability of the products which they promote. It is only natural that our people should be strongly influenced in their buying habits.

There is another way in which this North American standard of living makes itself felt as a dominating factor in our economic life. It has been estimated that American investment in Canada now exceeds some \$5 billions. Much of that money has found its way into branch plants of American concerns. And those plants in many cases produce consumer goods which are either identical with or very similar to what the parent company turns out in the United States. This is particularly true of consumer durables, automobiles, radios, refrigerators, television sets, and all those things of a mass production character which make our homes the envy of housewives in every part of Europe.

That is a measure of our problem. It also is descriptive of the high standard of living which we obtain through imports. For imports add substantially to our freedom of choice in the selection of those things we want to buy with our money income. It is this variety and the competing, variable demands for specific products which sharply distinguish our economy from those of the totalitarian states. Here the question the consumer asks is—Which one of many? In those countries where subsistence is the measure of the supply of goods, the only real question for the citizen is—How much of a few? Buying is in quantitative rather than qualitative terms.

Aside from this primary function of offering our people more material satisfaction than they would otherwise obtain, intelligent importing performs other functions of substantial importance to the Canadian economy. When we have a large variety of consumer goods from overseas sources, we not only have in our possession a powerful stimulant to the tourist traffic into Canada from the United States, but our intake of American dollars cannot be described as negligible. There is also an indirect effect. Displaying on our counters the products of the

United Kingdom, France and Italy, or the other countries of Europe, helps to create in the United States a domestic demand for those products when our visitors return to their homes. This, of course, is in our interest since anything which assists our overseas customers in meeting their dollar problem inevitably redounds to our benefit in the disposal of our export surplus.

II

IT is the function of the importer constantly to seek out new sources of supply, not only for products similar to those which he may buy in Canada or the United States, but for those items which, because of quality, uniqueness of design or inherent value, he considers would round out and improve his merchandise offerings. When a new overseas market is explored and goods are imported from it, an injection of Canadian dollars is provided which establishes the necessary prerequisite to the expansion of our export trade in that area. In addition to this, sooner or later the peculiar qualities which encourage the importer to bring in any particular item will be made known to domestic manufacturers in Canada, so that within the limits of the patent laws they will reproduce the article if it is feasible to do so, thus providing more employment here in Canada.

While these finished consumer goods imported from overseas constitute only a small fraction of the merchandise sold at retail in Canada—less than 10%—the contribution which they make to our national wellbeing is far greater than this. The question then naturally arises as to how our overseas suppliers can obtain a greater share of the Canadian market than they now have, and how we, through our Government, can facilitate the entry of what they sell us.

If our European (and also our Asiatic) suppliers are to do more business here they must first of all accept what some of them seem to regard as the eccentricities

of the Canadian market. Every retailer knows that Canadian customers are selective in their approach to buying. That, as we have seen, is a reflection of their ability to buy as much as they do. The foreign supplier must, therefore, give careful attention to the special demands of our customers in styling and design. Furthermore, he must be willing to adapt his production line rapidly to the changing direction of customer demand. Not only are Canadian styling and design requirements different from those of peoples in other parts of the world, but they are also not static. They are always changing. A constant watch on the whims of the Canadian market is a basic necessity for the successful European exporter. For certain types of goods, adequate repair and servicing depots, strategically located in certain cities, are essential to any mass exploitation of our market.

Producing the goods to Canadian order is only half the story. In our competitive economy, where selling techniques have not rusted as they have in some parts of Europe, if a share of our market for a line of goods is to be maintained or increased, effective and continuous sales promotion is a necessity. In some cases there are foreign suppliers who make the mistake of utilizing an institutional approach in their advertising media for the product which is not already well established here. Penetration of the Canadian market can only be obtained for relatively new goods by specific description as to why a customer should buy a particular product in preference to others. The story should be told in the promotional language to which our people are accustomed. That does not mean there is no room for innovation in selling or in the application of new methods, but they must be tailored to meet these basic requirements. We are a North American country and our customers think as North Americans, not as South Africans or Australians.

This emphasis on selling techniques is even more important where a new product is introduced, since most of any increase in the importation of merchandise from

Europe will be for those things which we have not bought in the past but are persuaded to buy now. If the article being offered to us is different, then we must be told it is different because it is better, with a detailed description of why it is better. Price is, of course, essential in a competitive economy like ours. The exporter from Europe must recognize that his goods, whether similar or identical with the domestic or American product, must be sold at a competitive price—and because of the delivery lag, should, in many cases, even be sold at a slight discount. This does not apply to that merchandise of a premium quality, or even certain goods where the "prestige value" of the article may warrant a higher price.

III

YET if the foreign exporter does his part, how can we here in Canada give him some assurance of our willingness to accept the goods he offers us? There are various practical measures which can be taken by our Federal Government. Specific duties are a peculiarly iniquitous form of tariff protection. As there is no close relation between the value of the import and the impost it will bear, low cost merchandise bears an unduly heavy burden of duty. Nor can Canadian importers estimate their costs with any real degree of accuracy since weight and measurement for various classes of merchandise establish the duty. One aspect of specific duty application which is highly impractical, is the current practice of tariff classification where more than one fibre is used in a material. In cases of this kind, the weight of the component carrying the highest tariff rate determines the ultimate assessment, even though this fibre may be a very small portion of the whole. Also we should adopt a more simplified and reasonable system of ad valorem duties. Admittedly, there is a defined relationship to cost in the use of ad valorem duties which means that our customers do not pay, as they do where the specific duty is applied, a disproportionate premi-

um for the lower price ranges of imported goods, but some further reductions could be made without real harm to Canadian industry.

While tariff classifications and sub-divisions appear to be imbedded almost inflexibly in our protective system over the long period of years in which they have been in use, it seems to me most advisable that we should remember it is not the particular item which requires tariff protection, but rather the industry as a whole. Further to this, some consolidation and simplification of our tariff system would seem to be feasible. The dislocation involved to domestic industry would not appear to be at all serious if this measure were carried out with a reasonable amount of common sense.

Perhaps the most indefensible tariff practice still current is that where an article which is not manufactured in Canada still must bear an ad valorem rate. If we regard our tariff as essentially protective and not revenue producing, then there cannot be any real reason why we should continue to place what amounts to a high sales tax on this category of imported goods. Customs interpretation in this group of products is most important and we should take steps to make sure, if we are sincere in our policy of stimulating imports from Europe, that we do not keep out merchandise of this character which might profitably be brought in.

The Customs Act itself has, of course, been revised so that some of the more obnoxious, arbitrary regulations contained in the old Act have been removed. Nevertheless, there is still a broad latitude of

administrative interpretation contained in it. It will rather be in the spirit of its operation, not in the letter of the Act, that any improvement from the importing standpoint will be forthcoming. For example, it is most important that in customs valuation the prevailing home market price should be acceptable in all instances for duty purposes. If the exporter asserts that the price which he is charging us is the fair market value in the country of origin, that declaration should be entirely adequate for Canadian customs purposes. In addition to this, the Marking Act which in the past has been interpreted in a way which virtually excluded certain kinds of merchandise, should now be administered so that the primary purpose of preventing deception in the origin of goods is met, without establishing a virtual prohibition against their importation.

Canada can and should offer more opportunities for the sale of consumer goods from overseas if some of these mutual requirements are met. It is rather a paradox perhaps that only by increasing our imports from these foreign suppliers can we continue our present level of buying in the United States, or offer to our people the many technical and styling innovations which they will certainly continue to wish to get from that great nation. With the establishment of The Dollar-Import Board, a more sympathetic attitude by the Dominion Government, and an aggressive business approach to the problem on both sides of the ocean, I am confident that Canada will become a greater market for foreign goods.