

the primary line of business have been barriers for them. The Task Force believes that increasing competitive pressures and the need to diversify will raise the interest of these parties in exporting. Two basic options appear to exist for these companies: developing in-house expertise or seeking trading houses to develop export markets for their products. The Task Force encourages further developments in both these areas by the distributive trades and recommends that:

Recommendation 31

Companies in Canada's distributive trade examine their potential for increased involvement in exporting through the use and formation of trading houses.

Recommendation 32

The Government review the competitive position of Canadian exporters with respect to export tax incentives available to exporters in other countries and introduce measures to match these benefits.

THE CORPORATE TRADING COMPANY MODEL

In its examination of developments in the United States, the Task Force identified numerous U.S. multinationals and large manufacturing and producing companies that had established trading company functions internally or as subsidiaries. Most of these developments took place largely prior to the passage of the U.S. Export Trading Company Act and appeared to have little to do with its intent or objectives.

In investigating the reasons for this development, the Task Force found that such functions were developed primarily as an organizational approach to international marketing and in response to the globalization of the company's markets. Adopting the "trading house concept" for these companies appeared to be the best approach for effectively tackling world markets. In many cases, this adoption was an effort to specialize some or all of the international marketing functions across divisions or product groupings, and not necessarily to become involved in the actual "trading" of goods. In this context, the term trading house or company is a misnomer given the widely held perception of the term.

The particular strategies taken by companies adopting this approach may differ for reasons of product and market characteristics, extent of existing international operations, corporate culture and strategy, and the reluctance or willingness to undertake new approaches. The Task Force feels, however, that it would be useful to set out a *general* model incorporating the numerous potential roles such a corporate trading company could assume. This may assist Canadian companies in considering such an approach for their own international marketing operations. Such a model and an explanation of its potential functions is given in Appendix II. This model is meant only to be illustrative of the various considerations and potential functions of a corporate trading company.

CONCLUSIONS

The investigations undertaken for this chapter were directed at the identification of other industry sectors in Canada which could participate in expanding the trading house option. The initiation for development in this area rests largely with the private sector. However, growth in this area and the growth of the existing trading house sector could be encouraged by government tax measures. In this regard, the Task Force noted that Canada is one of the few industrialized countries that does not provide significant tax benefits for export-derived income. Movement in this area would further stimulate the expansion and development of the trading house option. In this context the Task Force recommends that: