

## Export Transactions by Main Product Categories and Destinations

Some degree of product concentration by destinations can be observed (see Table A-18):

- Live animals: Other Asia, Middle East, Africa;
- Food, feed, beverage and tobacco: Japan, E.E.C., South America;
- Crude materials, inedible: Japan, E.E.C.;
- Fabricated materials, inedible: U.S., E.E.C., Japan;
- End products, inedible: South America, U.S., Japan, Mexico, Caribbean, Central America.

## Functions Assumed by Trading Houses (export merchants, agents, export managers, procurement managers, etc.)

Forty-seven per cent of survey trading houses are 100-per cent specialized by function. There is a fairly high level of specialization irrespective of export size group. Contrary to popular belief, trading houses do not appear to specialize as agents (only 9 per cent of all trading houses) (see Table A-19).

In addition, the survey reveals that regardless of size, trading houses claim to offer a wide variety of services: financing, international marketing consulting, management consulting, etc.

## Countertrade

Nineteen firms out of 201 survey trading houses claim to have concluded countertrade deals in 1982-83. This included 15 firms doing less than \$25 million of export transactions (see Table A-20).

## Number of Suppliers

With few exceptions, survey trading houses represent a limited number of Canadian suppliers' exports: on the average, 13 for the very small firms, 36 for the small firms, 68 for the middle-sized, and 31 for the large firms (Table A-21).

## Years Established

On the average, very small firms have been in operation for eight years, small firms for 12, middle-sized firms for 31, and large firms for 24 years (Table A-22).

## Representation in Canada and Abroad: Canadian-Controlled Firms

Very small firms claim, on the average, only one office controlled in Canada, and two affiliated offices abroad; small firms claim one office controlled and one office affiliated in Canada, plus one office controlled and two offices affiliated abroad; middle-sized firms have, on the average, three offices in Canada controlled plus two offices controlled and one office affiliated abroad.

Large firms have, on the average, one office controlled in Canada plus two offices controlled in other countries (see Table A-23).

## Number of Employees: Canadian-Controlled Firms

Very small firms claim on the average six employees in Canada and one abroad; small firms, 11 employees in Canada and four abroad; middle-sized firms, 43 employees in Canada and 19 abroad; large firms, 55 employees in Canada and 40 abroad (see Table A-24).

## Financial Resources

Two questions were asked in the survey questionnaire about trading house financial resources. The low rate of

response received to these questions does not allow for any meaningful analysis. No pattern of financial resources could be established, even for specific groups such as merchant trading houses.

## Implications

A key finding in this section is the gap revealed by the survey in the number of middle-sized trading houses. Only 6 per cent of the firms are in this group and account for 7 per cent of all sector transactions. It was mentioned in Chapter II that several industrialized countries consider that middle-sized trading houses represent the largest potential for export expansion in inedible end products. Various reasons may explain why trading houses are not well represented in the middle-sized group in Canada. Lack of usage by manufacturers of the trading house option is one of the reasons. Lack of government export-promotion support is also certainly another. The sector clearly does not receive from governments in Canada the recognition it gets in other industrialized countries. Finally, the industrial structure of Canada may limit the type, size and number of companies in a position to export.

Foreign control in the manufacturing sector has often been considered a major threat to Canadian interests. As far as foreign-controlled trading houses are concerned it would not appear to be the case. The main activity of foreign-controlled firms is in exporting Canadian goods, often to markets that Canadian manufacturers would find difficult to penetrate. To the extent that Canadian goods are competitive in the market place, trading houses will source in Canada (unless perhaps they have an ownership position in foreign-based manufacturing units). It is generally only when foreign goods are offered at better conditions abroad that trading houses, regardless of size or ownership, will switch their sourcing to other countries.

The trading house sector is rather young. Firms seldom have more than 30 years of experience. There is therefore reason to believe that the sector could expand further. Certainly greater recognition of its contribution to Canadian exports would help in this development.

In spite of its rather short history, the sector possesses a significant worldwide network. Survey data revealed that Canadian-controlled firms claim to have 96 offices controlled and 262 offices affiliated in other countries, most of them in non-U.S. markets. For the whole sector, say, for 400 firms the worldwide network would be quite impressive. This permanent presence of the sector abroad should not be overlooked by would-be exporters. They should consider relying on it rather than attempting to reach such markets on their own, often at great cost, and with results that do not always measure up to expectations.

## PROFILES BY EXPORT SIZE GROUPS

The following data are based only on survey results, i.e., on about 200 firms who completed the questionnaire.

It is not intended in this section to describe each group in detail, but rather to focus on key inter-group differences. Accordingly, only some of the various dimensions describing the groups will be covered. Underlying data are contained in Appendix I (Tables A-12 to 24).

### Very Small Firms (\$0.1 to \$0.9 million)

Domestic and import transactions constitute an important part of their overall activity — 46 per cent and 24 per cent respectively. They cover a wide variety of export markets but their most important ones are Mexico, Central America and especially the Caribbean. With regard to main