

Approach Taken by the Task Force

In assembling this report, the Task Force relied on the following sources for input: (1) a survey of the trading house sector; (2) views from the private sector including trading houses, trade associations, individual firms in the manufacturing and distribution industries, and the financial community; (3) an analysis of relevant government programs and agencies, and their perspectives on trading houses; and (4) developments in other countries relating to trading house activities.

In addition, sub-committees were formed on a regional basis to identify regional perspectives, and others were formed to address specific issues such as financial services, trading house linkage with the manufacturing sector, trading house sector survey, countertrade, etc. . . . Sub-committees then reported to the Task Force in periodic plenary working sessions. Suggestions for recommendations were presented and debated, and final recommendations as well as supporting material included in the report were then adopted by the Task Force on a consensus basis.

Survey of the Trading House Sector

As a basis for undertaking an in-depth examination of the sector and its activities, the Task Force believed that a detailed profile of the sector would be necessary. The Task Force devoted considerable time and effort to conducting a survey that has resulted in new and comprehensive data on trading houses in Canada. Specific goals of the survey included a reliable assessment of the number of firms in the sector; their volume of transactions (including domestic, import, export and third-country transactions); their contribution to Canadian export trade; their distribution by size groups, commodity and market coverage, types of services offered, and involvement in countertrade. These are reported in Chapter III.

Views from the Private Sector

Valuable comments on problems and opportunities faced by the sector were gathered through a survey conducted by the Canadian Export Association with its trading house members, and through meetings held by the Task Force with trading houses in Halifax, Montreal, Toronto, and Vancouver.

Conversely, perceptions of trading houses were gathered through meetings and exchanges of correspondence with Canadian banks, various trade associations, and representatives of the manufacturing sector. Chapter IV summarizes these views.

Analysis of Government Programs and Agencies

The Task Force undertook a detailed analysis of government trade development, trade promotion, export financing services, and aid programs which impinge directly or indirectly upon trading houses.

Departments and agencies examined in this process included: the Department of External Affairs, in particular the program for Export Market Development (PEMD), the Promotional Projects Program (PPP), posts abroad, and geographic bureaus; the Department of Regional Industrial Expansion and the activities of its regional offices; the Canadian Commercial Corporation (CCC); the Export Development Corporation (EDC); the Canadian International Development Agency (CIDA); and other federal state trading agencies such as CANAGREX. The Task Force held meetings with most of these groups; contacts with others were conducted through correspondence.

In addition, the views of the provincial governments were solicited to determine their perceptions of, and rela-

tionships with, trading houses with respect to provincial trade promotional services. The above analysis is covered in Chapter V.

Developments in Other Countries Relating to Trading Houses

The Task Force examined developments and gathered information on trading house activities and government support initiatives in other industrialized countries in an attempt to identify factors that might be a key to the growth and development of trading houses in those countries. Data were gathered through posts abroad, inquiries to trading house associations, foreign commercial representatives in Canada, and meetings in the United States. Attention was paid to the Federal Republic of Germany, France, Japan, and the United States.

The Task Force research focused on the United States because of its economic, historic, and cultural similarities and the passage of the U.S. Export Trading Company Act in October 1982. The Task Force met with U.S. Department of Commerce representatives, bank-owned trading companies, and other newly formed trading companies resulting from the passage of the Act. The Task Force also sought the views of American trading company associations and trading companies operating before the passage of the Act. Chapter II covers this examination.

Countertrade

Countertrade is a current and topical issue characterized by much discussion but few facts. The Task Force examined this trade dimension in Chapter VI in the context of its impact on Canadian exports and the existing and potential role of Canadian trading houses and the federal government.

Data on countertrade and the assessment of its impact were developed from public and private sources in Canada and abroad, the trading house survey, which provided information on their countertrade activity, and from discussions with countertrade specialists and practitioners.

Expanding the Trading House Option

The Task Force examined the potential for new participants in the sector and the application of the trading house concept to traditional international marketing structures and methods. Chapter VII summarizes the potential for Canadian bank involvement in trading houses, the use and formation of trading houses by Canada's distributive trade and co-operatives, and the use of the trading house concept as an organizational approach to international marketing for Canadian manufacturers and producers.