

TABLE III-2 — Ratio of Trading House Sector Export Transactions to Canadian Domestic Exports by Main Product Categories

Data Sources and Export Destinations	Live Animals	Food, Feed, Beverage and Tobacco	Crude Materials, Inedible	Fabricated Materials, Inedible	End Products, Inedible
<i>All Destinations</i>					
Survey Trading Houses	.04	.18	.12	.09	.01
Non-Survey Trading Houses	.01	.14	.10	.07	—*
Total	.05	.32	.22	.16	.01
<i>U.S.</i>					
Survey Trading Houses	—*	.04	.02	.03	—*
Non-Survey Trading Houses	—*	.04	.01	.03	.01
Total	—*	.08	.03	.06	.01
<i>Non-U.S. Destinations</i>					
Survey Trading Houses	.27	.23	.31	.27	.05
Non-Survey Trading Houses	.08	.17	.25	.22	.02
Total	.35	.40	.56	.49	.07

NOTE: Underlying data are contained in Appendix I, Tables A-5 to A-11.

* Less than .01

reaches 32 per cent of Canadian exports (see Table III-2). It contributes 22 per cent of all Canadian exports of crude materials, 16 per cent of fabricated materials, and 1 per cent of inedible end products.

As a result of the geographic specialization of the sector, its role in Canadian exports to non-U.S. markets is substantial in all product categories except inedible end products: 35 per cent for live animals; 40 per cent for food, feed, beverage and tobacco; 56 per cent for crude materials; and 49 per cent for fabricated materials. Its record in inedible end products is less substantial at 7 per cent, but it is significant in such market regions as the Caribbean and Central America.

It should be pointed out that a sizeable part of Canadian exports of inedible end products to the U.S. falls under the Canada-U.S. Auto Pact. The sector does not participate in sales of new automotive vehicles and very little in sales of automotive parts to the U.S. If exports of automotive products to the U.S. were subtracted from total Canadian exports in inedible end products, the contribution of the sector to Canadian sales to the U.S. would increase by several percentage points.

With regard to possible distortions resulting from estimating exports by product categories for the non-survey trading house group, tests indicate that the shares of the sector presented in Table III-2 would vary only marginally, at most by two percentage points for the largest shares.

Implications

The overall data demonstrate that the sector plays a major role in Canadian exports, a role which has not previously been recognized in Canada either by government agencies or by manufacturers considering exporting.

Some previous estimates have indicated that for 1979 the sector's export transactions amounted to about ten billion dollars or 10 per cent of Canadian exports. It should be noted that such data covered many firms which are not included in the survey because, based on the definition used by the Task Force, these firms do not act primarily as export trading houses.

As previously mentioned, no data could be gathered on some 80 trading houses. Although most of them may be small trading houses, the total contribution of the sector to Canadian exporters could have reached up to 15 per cent if their activities had been recorded in this study.

Compared with the trading house sector's contribution to national exports in other industrialized countries such as France, the Federal Republic of Germany and the U.S., the Canadian trading house sector performs remarkably well with a much smaller number of firms. The small number of firms may perhaps explain why the sector has not received in Canada the attention it has received in other countries.

It is not surprising that Canadian trading houses do not contribute substantially to Canadian exports to the U.S. Most manufacturers or producers can expand on their own with relative ease into the U.S. because of proximity and accessibility. This is not the case for overseas markets where the trading house sector plays a crucial role in promoting Canadian trade. This fact, which seems to have been largely unnoticed, should be recognized by government export development agencies and by manufacturers and exporters wishing to reach such markets.

Trading house export involvement by main product categories no doubt reflects Canada's industrial structure. But the modest export performance of the sector in the end-products category can not be fully explained by such a factor. Exporting industrial or consumer products requires manufacturer and producer awareness of the trading house expertise. Commitment and support to trading houses by manufacturers and producers in their international marketing effort, as well as vigorous support from government export development agencies are also needed. These conditions are far from being met at the present time. Trading houses specializing in exports of end products face considerable difficulties in expanding their activities. The fact that they are often small does not help to attract the recognition they deserve, and their contribution to Canadian exports is unlikely to increase until a major change of attitude takes place in the manufacturing/producing community, in the banking sector, and in government circles.

PROFILE CHARACTERISTICS OF THE TRADING HOUSE SECTOR

The main characteristics of the trading house sector in Canada are presented in this section. The data being used in this section cover only survey trading houses (between 183 and 201 firms depending on the rate of response to each question raised in the survey), with the