

Recommendation 6

The Department of External Affairs introduce a special section for trading houses in the Program for Export Market Development which would cover sustained market development activities abroad and domestic expenses relating to the development of Canadian sources of supply for a period of up to three years.

Such a new program would be based upon a well-documented market development plan submitted by the applicant and supported by adequate research, experience and, where applicable, the results of earlier PEMD support under Sections B and C. Trading houses, having identified a potential market for a Canadian product, find they need further support for both market and product development, particularly when the manufacturer has a low level of export awareness and, therefore, requires much missionary work on the part of the trading house.

This program should cover expenses such as 50 per cent of domestic travel for the trading house to consult with manufacturers, a per diem for the trading house for consulting services and product development, and the preparation of promotional material required for exporting. Such a program would encourage a more structured approach to export marketing and improve market information dissemination to suppliers.

In addition, to assist trading houses in identifying potential new markets and maintaining a sustained market presence, the Task Force recommends that:

Recommendation 7

The Department of External Affairs amend its Program for Export Market Development administrative guidelines to allow established trading houses to apply for other sections of the program on the basis of demonstrated capacity, experience, and product knowledge without the requirement for a specific contractual arrangement with a supplier.

Recommendation 8

The Department of External Affairs remove restrictions from the Program for Export Market Development concerning the number of market visits allowed in one year by a trading house to a new market.

Promotional Projects Program (PPP)

This DEA administered program provides funds for organizing national exhibits at foreign trade fairs, for trade and economic missions, seminars at home and abroad, as well as incoming trade missions and visits to Canada by foreign officials and businessmen. The 1983-84 program included: 147 trade fairs and information booths in 45 countries involving 1400 companies; 65 outgoing trade missions and seminars taking 675 businessmen to 61 countries; and 129 incoming missions and visits bringing 1,100 foreign officials and businessmen to Canada. Expenditures for the total program amounted to \$12.85 million. The record shows that trading houses participated only marginally in PPP activities. In 1983-84 it is estimated that fewer than 50 trading houses took part in trade missions abroad and fewer than 20 in incoming missions.

Trading houses participate less in PPP than in PEMD. The reasons may be somewhat different. Under PEMD the initiative to participate lies with the companies themselves, whereas under PPP the initiative comes from government bodies (industry sector branches, regional offices, and posts abroad) which select the participants. As a result,

if trading houses are not approached, they are unlikely to be part of PPP's activities.

The reason why trading houses are not invited to participate may be due to a preference for dealing directly with manufacturers rather than through the trading houses that represent them. Although the Task Force takes some comfort in noting that such attitudes have somewhat improved in the past few years, it is felt that in the future the role of trading houses should be better appreciated. The Task Force recommends that:

Recommendation 9

The Department of External Affairs undertake to include trading houses more regularly on sector-specific trade missions composed of manufacturers and producers and in other Promotional Project Program activities.

Posts Abroad and Geographic Bureaus

Trading houses have had mixed experiences with the Trade Commissioner Service. Some claim to have received a good response from trade commissioners, while others have been less fortunate. One trading house commented that "as soon as we mention being a trading house, we are immediately relegated to the status of a middleman and therefore we become an anathema to what appears to be a clearly established Trade Commissioners' policy of only to try and deal directly with manufacturers."

Such attitudes have accumulated some evidence that such attitudes are not as prevalent now as they may have been in the past. Trade Commissioners are less and less able to devote time and energy to inexperienced exporters and welcome more and more that the latter be represented by trading houses. A limited survey of Trade Commissioners' attitudes towards trading houses reveals that the more distant their territories the more positive their attitude towards trading houses. They come to realize that many exporters do not have, as do trading houses, the resources required to pursue consistently such markets.

To a large degree, what has been said about posts abroad can be extended to geographic bureaus. The same prejudice towards trading houses prevails, but somewhat less so than in the past.

Although the Task Force appreciates the changes taking place in the level of awareness and recognition towards the trading house sector, it feels that further improvements need to take place and it recommends that:

Recommendation 10

The Department of External Affairs issue a clear departmental instruction to personnel in Canada and abroad that trading houses be treated on an equal basis in terms of policies, programs and assistance with other exporters.

Trade Opportunities Information System

Most of Canada's major trading competitors have developed modern trade information systems. Canada is badly lagging in this regard.

The Task Force is of the opinion that the situation has hardly evolved over the last decade. Basic market intelligence of commercial importance is hard to obtain and suffers from delays in transmission. Business leads do not flow swiftly from posts to interested companies. In a world of advanced telecommunications when business leads become obsolete in a matter of hours or less, Canadian exporters are not adequately served by the Government to meet foreign competition. This issue is of considerable