

Close links with the industrial sectors which individual trading houses serve are one of the important features of the West German example. In both France and West Germany, the support provided to the trading community by the banking system (recognizing that the banking framework in Western Europe differs in important respects from the Canadian practice) has effectively addressed the critical question of access to adequate financing for trading operations.

The French example is interesting from another perspective. In this case, there has clearly been a government priority to increase the size and effectiveness of French trading houses. This concern has taken the form of active government intervention as seen in many aspects of French industrial policy. The Canadian system is quite different, but there are grounds for recommending, based on the French example, that government measures as suggested later in this report may well be necessary if Canada is to speed up the growth and scale of Canadian trading houses.

Recent U.S. experience has particular relevance to the Canadian scene given our proximity and the close interaction of our economies. What seems clear is that the debate surrounding the passage of the Export Trading Company Act has significantly raised the knowledge of the U.S. business community about the contribution which trading companies can make to the growth of U.S. exports. The active program of encouragement and dissemination of information mounted by the U.S. Department of Commerce following the legislation has contributed importantly to the process.

It is too early to make any clear judgement about the success of the U.S. program in developing large trading entities in the U.S. This can be attributed partly to the slow growth which has been a feature of global trade and the problems in expanding U.S. exports in the face of a very disadvantageous exchange rate. But it also indicates the fact that trading expertise cannot be developed overnight. In the long run, it is likely that new large U.S. trading companies will emerge as a result of the U.S. legislation, but the process of trial and error is likely to be lengthy. Of particular interest is the point that some of the bank trading companies already established appear to be concentrating on countertrade services and on commodity trade rather than manufactured goods as the most appropriate direction for them to date.

With respect to the principal provision of the Export Trading Company Act, we consider the question of Canadian banks being provided authority to establish trade entities in Chapter VII of this report.

The antitrust exemption was an important feature of the U.S. legislation, given the U.S. system. From a Canadian perspective, it would be useful to review again the provision of the Combines Investigation Act relating to export agreements to ensure that no unnecessary inhibitions prevent the establishment of such vehicles as export consortia by Canadian companies. The U.S. provision relating to the Export Trading Company Loan Guarantee Program of the Export-Import Bank has not yet been used to any significant extent, probably because its terms seem to be very restrictive. Nevertheless, it was an attempt to deal with the question of adequate financial facilities for trading operations and clearly has an important relevance to the Canadian scene.

Finally, we have noted that the focus of U.S. initiatives has so far left aside the large number of relatively small export management companies operating in the U.S. as it concentrated on large-scale operations. Given the experience of West Germany, France and even Japan, we wonder if this was the most useful direction and we would

not recommend that Canadian government policy ignore the potential for growth among existing small and medium-sized trading companies.

CONCLUSIONS

While the experience of other countries is helpful in considering steps which might be taken in Canada to encourage the growth and diversity of trading houses in order that they may make their maximum contribution to Canadian exports, the approach which would best serve Canadian interests must take account of the particular circumstances of the Canadian economy and our export performance. In the Canadian context, we believe that the needs are:

- (1) to develop greater awareness of the trading house sector in government, in business, and in particular, manufacturing and banking;
- (2) to promote the expansion of the existing trading house sector, through concerted action by the sector itself in terms of identifying, through an accreditation procedure, the capabilities and competence of Canadian companies; through a delivery of government export support programs, better structured to meet the needs of the trading house community; and through greater co-operation between government trading and aid agencies and trading houses;
- (3) to encourage closer links and regroupings among smaller Canadian trading houses into firms with greater specialized product and country expertise;
- (4) to encourage the use and formation of trading entities by banks, the domestic distributive trades and the Canadian co-operative movement.

Notwithstanding the differences in size and nature between the United States and Canadian economies and the need to address Canadian problems with "made in Canada" solutions, measures adopted in the U.S. to promote exports must be closely studied and matched or adapted by Canada given the degree of economic integration between the two economies. Failure to do so may disadvantage Canadian companies in the highly competitive international marketplace.