
Introduction

Trading houses are the topic of much discussion in Canada but very little is known or written about their actual role and function.

Typically, members of the Canadian business community regard a trading house as a one-person operation that tries to make an inflated commission, adds nothing to a transaction and makes a Canadian product uncompetitive in the process. There are several reasons for these misconceptions.

First, many well-established trading houses avoid labelling themselves as such and prefer to operate out of the public's view to discourage new competition. Further, most indigenous Canadian trading houses are relatively new, having been established within the past 20 years. As a result, Canadians, relative to their counterparts in Germany, Japan, Korea, the United Kingdom, etc., are unfamiliar with the benefits of working with a trading house and its important role in world trade. Finally, because of low barriers for establishing new companies, there is a high turnover of new inexperienced trading houses, many of which offer anything anywhere. In the process, this leaves a bad impression of trading houses with manufacturers, government officials and foreign customers.

These factors have given trading houses a poor image that is, as statistics show, unjustified. In 1983, Canada-based trading houses accounted for 40 per cent of Canada's non-U.S. exports.

To bring to light the significant role of trading houses, the Council of Canadian Trading Houses was established in 1985, with a mandate to provide an accreditation procedure for trading houses that would assure potential users of track records and reliability, and to promote a better understanding of the capabilities and benefits offered by trading houses in general. To date, both these measures have met with great success; the environment for trading houses in Canada is now far more favourable.

There is, however, still room for improvement. As globalization continues and foreign competition increases at home and abroad, the knowledge that Canadian trading houses possess on foreign markets becomes even more valuable. The purpose of this publication is to clarify for the Canadian business community the role and function of trading houses in Canada, their potential for increasing exports to overseas markets, and the most beneficial ways of working with them.