

I. INTRODUCTION

Firms in the Canadian freight forwarding industry are subject to many dynamic changes in their business environment. Prominent among these are the dramatic changes taking place in international affairs, which are helping reshape the international freight forwarding industry in Europe. The extraordinary rate at which barriers to trade are being removed among members of the European Community (E.C.) is exceeded only by the speed of events in Central and Eastern Europe. Political alliances and trading relationships are changing at an unbelievable rate.

However, the effects of political events must be considered in light of important changes taking place in international commerce. Three must be identified immediately.

- First, corporations in all business sectors are becoming more global in scope and outlook. This affects freight forwarders as the production and marketing strategies of their customers are worked out on a new global scale and as their competitors in the forwarding industry strengthen their global networks.
- Second, the attention of manufacturing and distribution industries to the management of transportation- and distribution-related activities as an integrated logistics function has intensified and is being applied rigorously to international as well as domestic business. Generally, firms in Europe have gone further than those in North America in using out-sourcing as a logistics management strategy.
- Third, transportation companies are responding to the changing conditions not only by modifying their core transportation services but also by placing greater emphasis on the integration of these services with other transportation and distribution services. More carriers are developing their capability to provide door-to-door international transportation and related logistics services. Integrated carrier services are important for sea and air freight.

The response of Canadian forwarders to events in Europe must be consonant with the changing structures and practices of their customers and competitors. The combination of interacting political and business changes raises an exceptional combination of threats and opportunities. To remain competitive firms — and societies — must adapt. They must respond to current events and anticipate future conditions. Changes in political relationships have immediate effects on business and they act as catalysts. The dynamic changes taking place in the international freight forwarding industry are evidence that many firms are positioning themselves today for conditions in the mid 1990s and beyond.

The conditions in Europe are of particular importance to Canadian forwarders. Business with the E.C. countries is more important to many freight forwarders than trade with the U.S. or the Far East and Asia. The latest data available are from a 1988 publication of Industry, Science and Technology Canada. They show that, in 1986, the major sources of freight forwarder revenue by trading partner were 31 percent E.C., 26 percent U.S. and 24 percent Far East, Asia and Australia. The E.C. remains the forwarders' largest market overall because of the important role of processed goods in exports and imports with Europe and the greater contribution of forwarder services in offshore trades. Europe is expected to be one of the fastest growing regional markets during the 1990s.

This report is designed to help Canadian international freight forwarders respond to developments in Europe. It has two purposes. The first is to provide information on changes in Europe relevant to the freight forwarding industry. This includes information on measures to bring about the single European market through the Europe '92 program, and the responses of public and private organizations to the changes. The second is to suggest possible strategies for Canadian freight forwarders in light of Europe '92.

The paper is organized in six sections. The second section describes the nature of the freight forwarding industry and draws contrasts between the industry in Canada and Europe. The general elements of the Europe '92 program are outlined in the third section