Sogo shoshas are involved in just about everything. A large share of their activities lies in domestic production and distribution. Abroad they are active in prospecting, mining, manufacturing, technical assistance, marketing, and distribution. They are major importers, ship builders, shipping line owners, and for all practical purposes, they are also bankers. There is no end to their activities. Rather than considering them as general trading houses, a more appropriate concept would be integrated "global" conglomerates. Although the *sogo shosha* model may be useful in some newly industrialized countries, it is of limited applicability in industrialized nations where economic sectors such as mining, manufacturing, engineering, banking, and trading are already well established. Perhaps the most important lesson to be learned from them is the systematic and carefully co-ordinated gathering, evaluation, and use of market intelligence across their diversified operations.

A few years ago, it was estimated that nine trading companies were responsible for about 50 per cent of all Japanese exports and imports. What is less known is that another 6,000 or 7,000 specialized trading houses do about 30 per cent of Japan's international trade. One may wonder how such companies can survive next to such powerful giants always in need of expansion. Not much is known about the specialized trading companies, but it would appear that the reason for their survival is indeed their specialization. Both on domestic and international markets, *sogo shoshas* deal almost exclusively in large-volume transactions or in large projects. They tend to be more involved in trading than in marketing. This leaves the field open to small and medium-sized trading companies, which are growing in numbers, and to which orders are often referred that *sogo shoshas* do not want to handle.

United States

It is estimated that there are some 2,000 export trading companies in the United States. In spite of all the work that preceded the passage of the Export Trading Company Act of 1982, not very much is known about them.

Most U.S. companies would be what Americans call export management companies (EMCs), that is export distributors taking title to the goods before selling them abroad and export representatives who do not take title. EMCs generally specialize in particular product categories, allowing them to perform extensive market research with a small staff. They basically act in the same way as most Canadian trading houses. The largest of these are Getz Ltd. and Connell Inc., each with annual sales of some $500 million.

With this background in mind, it is interesting to examine the provisions of the Export Trading Company Act, learn from the U.S. experience, and see if any of the U.S. measures can be adopted in Canada or be adapted to the Canadian scene.

The Export Trading Company Act of 1982

Purpose and Content

On October 8, 1982, President Reagan signed into law the Export Trading Company Act of 1982. In its preamble, several key statements are made about the need for such legislation:

1. Tens of thousands of small and medium-sized U.S. businesses produce exportable goods and services but they are not engaged in exporting;
2. Many farm products are not marketed as widely and effectively abroad as they could be through trading companies;
3. Those in the goods and services sectors, attempting to export, lack the financial resources to do so effectively;
4. The United States needs well-developed trade intermediaries to export competitively;
5. The development of trading companies has been hampered by business attitudes and government regulations.

The purpose of this Act was to increase United States exports of products and services by encouraging more efficient provision of export trade services to United States producers and suppliers in particular: (i) by establishing an office within the Department of Commerce to promote the formation of export trade associations and export trading companies; (ii) by permitting bank holding companies, and other specified banking entities to invest in export trading companies; (iii) by reducing restrictions on trade financing provided by financial institutions; and (iv) by modifying the application of the antitrust laws to certain export trade.

These provisions are set out in four titles under the Act:

1. Title I sets forth the overall purpose of the legislation and establishes the Office of Export Trading Company Affairs in the Department of Commerce (DOC) to promote the formation of Export Trading Companies (ETCs);
2. Title II, the Bank Export Services Act, amends the Bank Holding Company Act to permit bank holding companies and other specified banking entities to invest in ETCs; establishes a program for loan guarantees by the Export-Import Bank of the United States (Eximbank); and amends the Federal Reserve Act by removing certain restrictions on the use of bankers' acceptances;
3. Title III provides for the issuance of export trade certificates of review by the Secretary of Commerce (with the concurrence of the Department of Justice) under which the export conduct of any person may receive specific antitrust protection;
4. Title IV clarifies the jurisdictional reach of the Sherman Act and the Federal Trade Commission Act with respect to export-related commerce.

Evaluation of Results

Promotion of ETCs by the Department of Commerce

As stated under Title I, the Office of Export Trading Company Affairs was established as a direct result of the Act. It has the functions of:

(i) sponsoring conferences, workshops, and presentations on the use and formation of export trading companies;
(ii) counselling companies on the antitrust provision of the Act (Title III and IV);
(iii) initiating a Contact Facilitation Service to bring together trading companies and suppliers; and
(iv) processing and issuing certification under the antitrust provisions.

In fulfilling its mandate, the Office of Export Trading Companies Affairs undertook a series of over 50 conferences throughout the United States explaining the provisions of the Act and promoting the use and formation of trading companies. Some 12,000 persons attended these conferences. These are currently being followed up with a second series of seminars directed at developing and implementing business plans for new trading companies.

Department of Commerce officials feel they have succeeded in selling the ETC concept to the business community. As one commentator stated: "the industry has been fired up by the hoopla surrounding the ETC Act and suddenly it has become a legitimate business. As a result some export management companies have reported increased business."