

Executive Summary

Government trade development programs, in contrast to trade policy, are rarely the subject of academic research and evaluation. This is surprising; governments throughout the world spend considerable resources on trade development programs, in order to assist companies in identifying and pursuing opportunities created by trade liberalization. Canada, as a nation highly dependent on trade, is no exception; current federal trade development expenditures are estimated to be between \$ 500 - 600 million annually.

For close to 100 years, the Trade Commissioner Service has been the focal point of support for Canadian exporters. This study, drawing from extensive Canadian government data, aims at developing a more systematic and comprehensive approach to trade development, based upon the changing nature of international business today. The challenge facing trade development programs, in an era of globalization, is how best to serve the more sophisticated, integrated and varied needs of the internationally-oriented companies. A consequent reorientation of the Trade Commissioner Service is desirable, as the Service prepares to celebrate its centenary in 1994.

The business community understandably takes full advantage of any government assistance available. Trade development programs allow private companies to stretch their international market development resources, ideally to support new and incremental activities. Yet at a time of resource constraints, universal access to trade development programs needs to be questioned. The challenge for government is to devise programs and services that are truly risk sharing and stimulate pursuit of new opportunities rather than subsidize already planned international marketing.

Government support to the private sector should be justified on the basis of market failure and comparative analysis of expected returns on program funding. Just as the private sector evaluates investment based upon probable rates of return, trade development programs should be considered as comparable investments. This will require assessment of risk as well as a variety of specific criteria: is support necessary, does support engender dependency, is support comparable to the practice of major competitors, is support complementary to domestic competitiveness, is support selective and targeted, and is support productive? These criteria need to be applied on a market and sector-specific basis.

Program management and activity tracking statistics collected by the Trade Commissioner Service provides an informed basis for analysis of the effectiveness of the Service, its related government-initiated trade development activities, industry-initiated financial support programs and export financing facilities. This statistical base, in sharp contrast to other programs and activities of the Department, allows us to identify areas of concern and suggest possible improvements.

The analysis indicates that current government trade development programs do not meet criteria established earlier. Trade development programs, while largely comparable to those