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# CANADA'S EXPORT STRATEGY

## *The International Trade Business Plan*

*1995/96*

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***An Integrated Plan for Trade, Investment  
and Technology Development***

**The International Trade Business Plan** is made up of an **Overview** highlighting Canada's international business development priorities, and a series of **Industry Sector Strategies**, which include lists of planned international activities. The following documents are available:

- Overview
1. Advanced Manufacturing Technologies
  2. Agriculture and Food Products
  3. Aircraft and Parts
  4. Automotive
  5. Biotechnologies
  6. Business, Professional and Educational Services
  7. Chemicals, Plastics and Advanced Materials
  8. Construction Products
  9. Consumer Products
    - Apparel and Fur
    - Textiles
    - Footwear
    - Sporting Goods (including recreational watercraft)
    - Tools, Hardware and Housewares
    - Residential Furniture
    - Business and Institutional Furniture
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    - Mining, Forestry, Pulp and Paper
    - Agricultural Technology, Machinery and Equipment
    - Ocean and Marine Shipboard Technology
  21. Rail and Bus Equipment
  22. Space
  23. Tourism

For information on how to receive the Overview, or additional Industry Sector Strategies, please call: **1-800-267-8376**

All monetary figures in this document are expressed in Canadian dollars unless otherwise indicated.

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## Apparel and Fur

The industry produces all types of apparel for men, women and children, including industrial and athletic wear.

### International Environment

Apparel production exists in virtually all countries. During the last 20 years it has become increasingly centred in countries with a plentiful labour supply and wages lower than those in industrialized countries. In 1992, 66 percent of world trade in apparel flowed from low-cost to industrialized countries.

Market penetration by low-cost producers has been concentrated in "commodity products" such as dress shirts, blouses, sweaters, pants and underwear that can be produced in long production runs. In 1992, the major importers of apparel were the European Union (EU), the United States and Japan (see Figure 1); Canada ranked seventh.

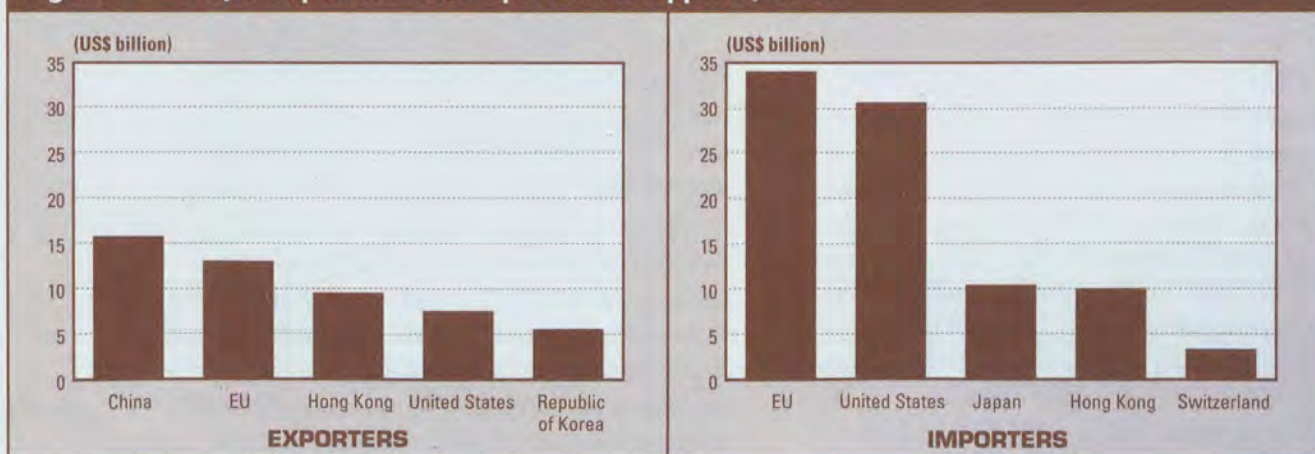
The Multi-Fibre Arrangement (MFA) under the General Agreement on Tariffs and Trade (GATT) enables importing countries to impose country-specific controls to restrict imports that cause large-scale disruption of home markets. As a result of the recently concluded Uruguay Round

of the GATT, this protective agreement will be gradually phased-out over a 10-year period, beginning in 1995.

To counter the impact of low-cost imports, to maintain their markets and to gain competitive advantage, producers in industrialized countries such as Canada have been adopting more effective and innovative marketing, product development and manufacturing strategies, including:

- adoption of modular manufacturing and CAD-CAM technologies to enhance flexibility;
- forging of closer relationships with suppliers and customers;
- development of quick response and better after-sale service through electronic data interchange technologies;
- development of more innovative products;
- more extensive development of brand and designer names.

Figure 1 — Major Exporters and Importers of Apparel, 1992



Source: GATT International Trade 91-92, Geneva, 1993



## Canadian Position

In 1993, total value of the Canadian apparel market was \$8.5 billion, based on wholesale prices, of which 72 percent, or \$6.1 billion, was produced by 1700 domestic enterprises. With a work force of 87 000, the industry is a major employer among Canadian manufacturing sectors. Employment is concentrated in Quebec and Ontario, which account for 85 percent of total apparel industry employment.

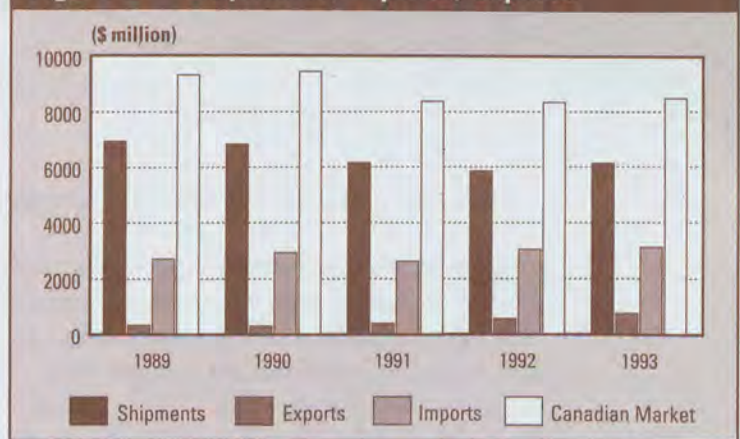
In the past 10 years, the formerly domestic-oriented, highly fragmented Canadian apparel industry has begun to evolve into one with a global outlook, modern manufacturing facilities and an increasingly high level of professional management. An element of this evolution has been the concentration of production among larger companies with the human and financial resources necessary to support international marketing.

While the trend toward greater concentration of production is occurring in all sectors, it is especially prevalent in the foundation garment, lingerie, women's fashion sportswear, dress shirt, men's fine clothing, men's pants, active wear and jean sectors.

The primary factor forcing change in the Canadian industry has been the displacement of domestic production by imports. As Figure 2 illustrates, the problem of shrinking market share was exacerbated by the fact that the market itself was shrinking.

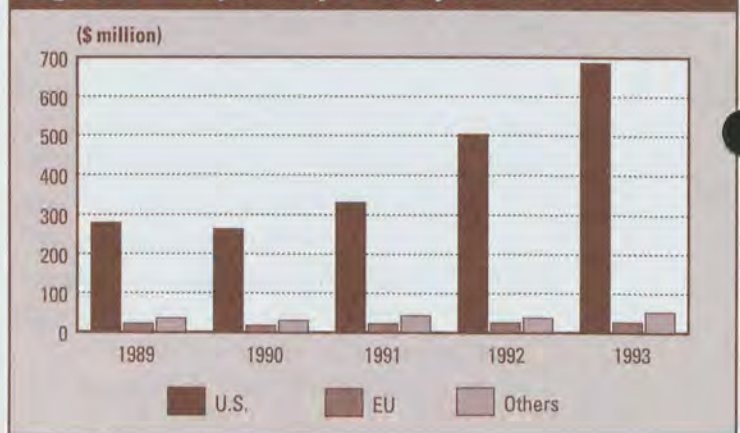
Historically, the vast majority of imports have originated from low-cost sources, which accounted for over 75 percent of total apparel imports to Canada in 1993. However, since the advent of the Canada-U.S. Free Trade Agreement (FTA) in 1989, imports from the United States have increased dramatically. The \$310-million increase in apparel imports from the United States since 1989 make that country the third-largest exporter of apparel to Canada, behind China and Hong Kong.

Figure 2 — Shipments, Imports, Exports



Source: Statistics Canada

Figure 3 — Exports by Country of Destination



Source: Statistics Canada

Between 1990 and 1993, retail apparel sales plummeted from \$9.5 billion to \$8.5 billion. In an effort to better control inventory and cut costs, surviving retailers have been compressing their supplier base.

While the FTA may have opened the door wider for the giant U.S. apparel producers, lower tariffs also provided new market opportunities for Canadian manufacturers. Many have taken advantage of those opportunities to drive up exports to the United States, from \$278 million in 1989 to \$686 million in 1993. Among industrialized countries, Canada ranks second only to Italy as

an exporter of apparel to the United States. These export sales have offset a large portion of the lost domestic market and, perhaps more importantly, have gained successful exporters a more diversified and stable client base.

While there has been some increase in export activity in other markets, concentration on the U.S. has limited the number of manufacturers taking advantage of profitable opportunities in European and Asia-Pacific markets. Nonetheless, Figures 2 and 3 show that the estimated 200 manufacturers that are selling abroad have increased exports from 4.8 percent of industry shipments in 1989 to 12.7 percent in 1993.

The depreciation of the Canadian dollar relative to other currencies should continue to assist exporters. Other contributing factors that will provide impetus for export growth are the industry's growing reputation for good quality, product diversity and creative design; Canada's image as a cold-weather country, which enhances its export prospects for outerwear, furs and quality wool garments; and the flexible production capabilities of Canadian manufacturers that enable them to respond quickly to market changes.

To expand exports, the industry will require:

- better long-term strategies for market development;
- better market information packages and their dissemination to interested companies;
- better educational packages for small- and medium-sized companies covering the "how-to" of exporting;
- better accessibility to export financing from organizations such as the Export Development Corporation (EDC).

The Canadian Apparel Federation (CAF), whose members represent 80 percent of Canada's apparel production and an even higher percentage of its exports, can be a driving force to accomplish these tasks.

While the industry exports a broad range of products, the major export items are trousers

(18 percent of total exports), men's and boys' suits (14 percent), swimwear (13 percent), furs (10 percent) and sweaters (9 percent). However, inroads are also being made in other product areas.

Over the years, the industry has tended to lag behind in the application of new technologies. As a result, it is estimated that there is a technology gap of five years relative to the United States and 10 years relative to Europe. Generally, only a small number of the larger manufacturers are actively engaged in expanding their technical knowledge and information base.

## Strategic Direction

The strategy will focus on helping small- and medium-sized companies to better access, prepare for, and exploit market opportunities in the United States and Mexico. In addition, efforts will be made to develop selected European and Asian markets. The overall aim is to expand both the number of exporters and the percentage of national production directed to exports.

The strategy will be pursued co-operatively by the CAF, the Department of Foreign Affairs and International Trade (DFAIT), and Industry Canada (IC).

CAF will:

- provide its members with opportunities to participate in co-operative marketing ventures in the United States;
- produce exporting seminars, a manual on the "how-to" of exporting, a directory of trade shows, and facilitate "rep" locator missions planned by DFAIT.

DFAIT will:

- expand the program of "rep" locator missions in the United States;
- encourage and promote attendance at major apparel shows with emphasis on Canada Mode in New York, Magic in Las Vegas and the North American Fur and Fashion Fair in Montréal.

IC will:

- work with DFAIT/missions to improve the strategic market intelligence they make available, in terms of frequency, depth and accuracy;
- in collaboration with DFAIT/missions, encourage the acquisition and adoption of new technology and production methods through visits to machinery exhibits, technical centres, and other manufacturing facilities; the setting up of technology databases; and the formation of a technical advisory committee.

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## Textiles

The highly diversified textile industry includes producers of man-made fibres, yarns; fabrics and a variety of textile products such as household linens, carpets and those used in the manufacturing of a broad range of industrial products. Not included in this definition is the motor vehicle fabric accessories industry, which had shipments of \$1.7 billion in 1993 and employed approximately 7000 people.

### International Environment

International trade in textiles represents about 4.4 percent of world exports in manufactured products overall. Between 1991 and 1992, the textiles trade grew by almost 7 percent, surpassing the average annual growth rate of 6.5 percent for the period 1980 to 1992. In 1992, world trade reached US\$117 billion, of which 22 percent occurred between developed countries and some 39 percent between developed and developing countries.

While developed countries continue to dominate the textile sector (see Table 1), developing countries, with easy access to new manufacturing technologies, are increasing their share of world textile production. In addition, emerging regional trade blocs and new trade powers such as China, which is currently undergoing a phenomenal expansion in textile manufacturing, will strongly influence global trade patterns and industry structure. It is noteworthy that China is increasing its relative importance as a world textile importer (average annual growth rate of 17 percent over the past 12 years), due to continuing domestic shortages of raw materials needed by its rapidly expanding clothing industry. In 1992, China was the fourth-largest importer of textiles in the world. Changing swiftly to become internationally competitive in a more dynamic trading environment, textile producers around the world are investing in productivity improvements, product and market specialization, and are establishing a regional presence in a growing number of selected markets.

Over the next decade, world textile consumption is projected to grow by only 1.5 percent annually. Much of this growth is expected to come

from maturing markets in developing countries that succeed in increasing their own purchasing power, rather than from mature markets in developed countries. Growth in demand for certain textiles will exceed the average rate. For example, many global competitors are attempting to capitalize on emerging opportunities for highly engineered technical textiles, for which demand is expected to grow by 10 to 15 percent annually.

**Table 1 — Key Players in World Textiles Market**

1992 - US\$ Billion			
Importer	Amount	Exporter*	Amount
Hong Kong <sup>(a)</sup>	13.1	Germany	13.9
Germany	10.2	Hong Kong <sup>(b)</sup>	11.0
U.S.	8.2	Italy	10.2
China	7.6	China <sup>(c)</sup>	8.6
France	7.5	South Korea	8.2
U.K.	6.9	Taiwan	7.6
Italy	5.6	Japan	7.1
Japan	4.2	Belgium-	
Netherlands	3.6	Luxembourg	6.5
Belgium-		France	6.3
Luxembourg	3.6	U.S.	5.9
Total-Top 10	70.5		85.3
% share in world exports/imports	59.9%		72.8%

<sup>(a)</sup> Imports less re-exports

<sup>(b)</sup> Includes domestic exports and re-exports

<sup>(c)</sup> Includes trade through processing zones

Source: GATT, 1993



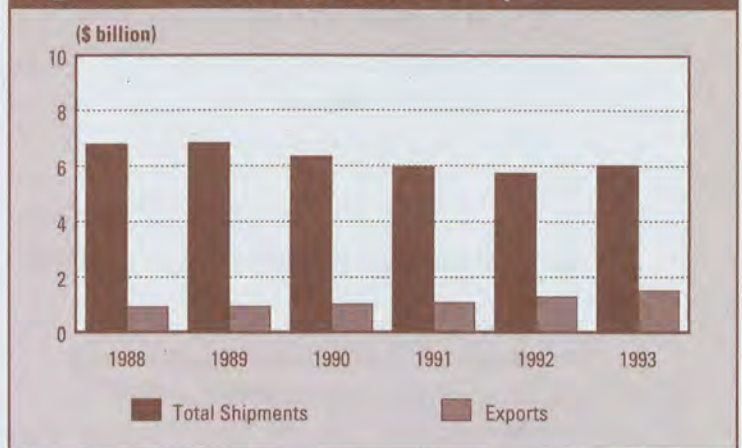
## Canadian Position

The textiles industry employed 45 000 people in 1993, and had total shipments of \$6 billion, \$1.5 billion of which was exported. The industry's exports have grown considerably, increasing their share of all shipments from 13 to 25 percent between 1988 and 1993. Exports continued to grow in the first six months of 1994, reaching \$904 million, which represents an increase of 27.2 percent in the value of exports over the same period in the previous year. The United States is the largest destination for textile exports, accounting for 75 percent in 1993 and 81 percent in the first half of 1994. Other key destinations include the European Union, Asia-Pacific countries and South America.

Substantial and continuing capital investment by the industry has produced a dynamic, modern, efficient and environmentally astute textile-manufacturing sector, with productivity improvements over the past decade outpacing those of Canadian manufacturing overall.

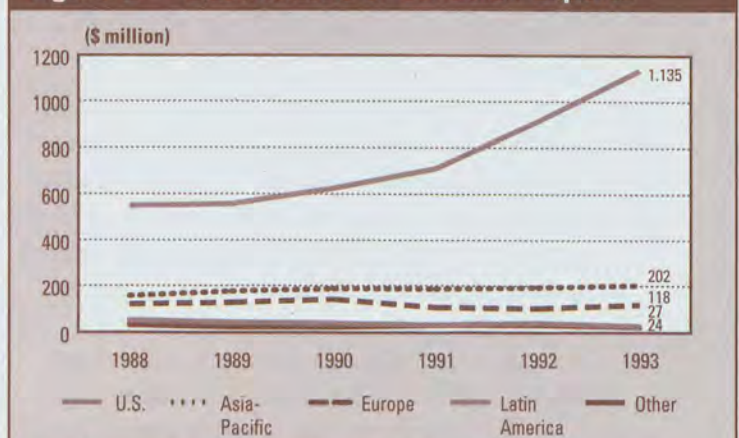
Boasting excellence in quality, design and service, Canadian firms are developing new export markets for an increasing variety of textiles. Some producers are very capital intensive, and can take advantage of economies of scale to attain price leadership in certain products with large world markets. Others are small- to medium-sized companies with competitive strengths in small-run production, derived from servicing the many diverse demands of a relatively small domestic market. Many are adopting and creatively adapting technological advances to develop new specialty yarns and fabric constructions, as well as unique higher value-added, high-performance textiles, which are in growing demand in specialized market niches worldwide.

Figure 1 — Total Shipments and Exports



Source: Statistics Canada, Industry Canada

Figure 2 — Destinations of Canadian Exports



Some Breakdowns of Export Destinations (\$ million)

	1988	1989	1990	1991	1992	1993
<b>Asia-Pacific (total)</b>	156	176	187	186	193	202
China	22	25	32	36	42	69
Hong Kong	12	20	19	17	38	23
Korea, South	35	39	38	40	20	17
Australia	35	41	30	30	31	36
<b>Latin America (total)</b>	51	44	39	33	40	27
Mexico	6	9	7	5	10	6
Argentina	0.6	0.4	0.3	3	6	3
Venezuela	16	9	7	4	4	2
Chile	2	2	2	2	3	2
Brazil	0.2	0.3	0.7	0.6	0.6	1
<b>Europe (total)</b>	120	127	141	106	103	118
Germany	7	8	17	17	22	38
U.K.	35	36	44	27	30	32
Belgium	27	31	28	19	13	12

Source: Statistics Canada, Industry Canada

## Strategic Direction

Slow growth in textile consumption and the liberalization of world trade are compelling the textile industry to strengthen its domestic base and aggressively pursue exports. To maximize opportunities for the textile industry, the Government will work closely with the industry and its associations, namely the Canadian Textiles Institute (CTI), the Canadian Carpet Institute (CCI) and the Textiles Human Resources Council (THRC), to encourage and promote the following initiatives and activities:

- provide the intelligence that will help manufacturers increase their sales in high-growth and niche markets; capitalize on opportunities arising from the North American Free Trade Agreement (NAFTA) and the integration of textiles into the General Agreement on Tariffs and Trade (GATT); and take advantage of opportunities in the Asia-Pacific region, Europe and South America (Industry Canada [IC], Department of Foreign Affairs and International Trade [DFAIT], CTI, CCI);
- enhance market intelligence gathering and dissemination activities. One example is a report on international market opportunities identified under Phase II of DFAIT's International Opportunities Canada (IOC) program. Another initiative, evolving from the Access North America program, is a study of market opportunities in Mexico for selected textile subsectors. Both will be prepared and distributed to industry (DFAIT/missions, IC, CTI, CCI);
- help small- and medium-sized manufacturers become export-ready and better prepared to compete in international markets. Central to the process will be government-led, industry-sponsored seminars and workshops that raise export awareness, highlight success stories, enhance skills, and cultivate new management and employee attitudes (IC, DFAIT, CTI, CCI, THRC);
- promote market-development activities, and encourage the industry to participate in well-focussed trade shows and missions using available programs such as the DFAIT-sponsored Program for Export Market Development (PEMD) and New Exporters to Overseas Markets (NEXOS) (DFAIT, IC, CTI, CCI);
- enhance awareness of Canadian competitive strengths through various media, particularly in the North American market. Strengths include production flexibilities, product quality and quick response times. Canadian capabilities will be showcased in a series of product-specific export directories, which will be prepared and distributed to Canadian trade missions and prospective buyers worldwide under Phase I of DFAIT's IOC program (DFAIT, IC, CTI, CCI);
- explore and facilitate partnering and international strategic alliances between Canadian and foreign producers that would jointly conduct research and development, exploit results, and capitalize on innovations in product development and textile applications. As signatory to the Charter of Fundamental Principles of Global Trade for Textiles and Apparel (adopted by industry and labour representatives of some 24 countries), and member of the North American Textile Council, the CTI is well positioned to identify and promote viable networking opportunities (IC, DFAIT, CTI);
- improve the industry's understanding of standards and how they can facilitate access to foreign markets. Government will work closely with industry representatives to educate manufacturers on the importance of standards in international marketing. Industry will be encouraged to actively participate in the development of international standards, testing and certification (IC, DFAIT, CGSB, SCC, CTI, CCI, THRC).

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## Footwear

The Canadian footwear industry manufactures a wide range of products from leather, rubber and other synthetic materials, with an emphasis on leather men's and women's boots and shoes, as well as winter and protective footwear.

### International Environment

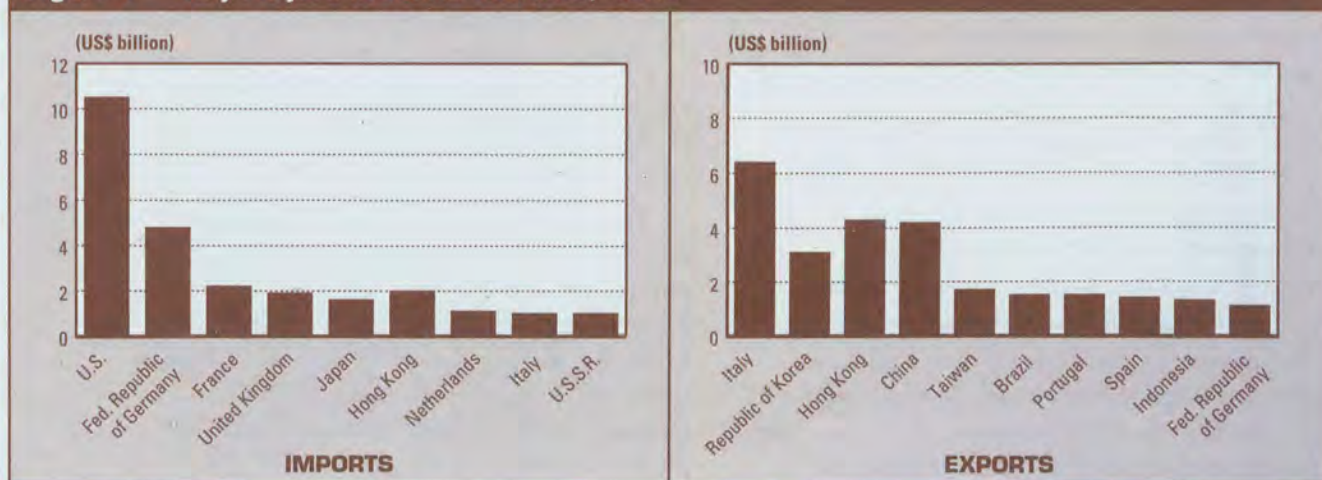
World trade in footwear totalled US\$34 billion in 1992, representing slightly more than 1 percent of total world exports in manufactured products. Developing countries accounted for 55 percent of all footwear exports.

The significant global shift of footwear manufacturing from developed to developing countries coincided with the general relaxation of international trade barriers and tariffs during the 1970s and 1980s. As is the case for most labour-intensive, basic-products manufacturing industries, conventional shoemaking is well suited to outward-looking economies with low labour costs, such as Asia. South Korea, Hong Kong, China and Taiwan, as a trade bloc, have become the world's dominant supplier of inexpensive footwear products to the European and North American markets (see Figure 1).

The footwear industry is undergoing significant restructuring in all developed countries. Producers have virtually conceded the cheaper end of both domestic and foreign markets to Asian and other low-cost suppliers. Considerable consolidation is taking place within the industry, together with the orientation of manufacturing facilities to the production of premium products specifically tailored to niches in world markets.

The development of new technologies spearheaded by footwear machinery manufacturers and co-operative research institutes such as the Shoe and Allied Trades Research Association (SATRA) is helping to reduce cost differences. Although this alone does not fully compensate for the much lower manufacturing wages in developing countries, improvements in design, quality and customer service are allowing manufacturers to compete in other specialized product areas.

Figure 1 — Key Players in World Markets, 1992



Source: Statistics Canada



## Canadian Position

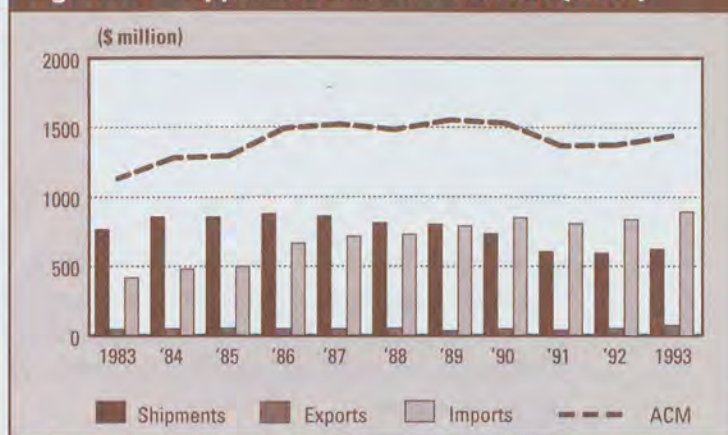
The Canadian footwear industry comprises approximately 100 establishments with some 9000 employees. In 1993, the value of the apparent Canadian market (ACM) for footwear was \$1.4 billion (see Figure 2). Total industry shipments that year were about \$622 million, \$74 million of which were exported. Imports valued at \$892 million accounted for 62 percent of the ACM. The influx of low-cost imports from developing countries is largely responsible for the industry's loss of market share from 62 percent in 1985 to less than 40 percent in 1993.

On the positive side, the export share of total Canadian shipments almost doubled over the same period, from 6.6 percent to 12 percent. Canadian manufacturers were thus able to maintain production rates, despite a flat domestic market where imports are on the increase. The United States was the major destination for these exports, accounting for 88 percent in 1993, with other key markets including Japan and the European Union (see Figure 3).

Canadian firms that participate in major trade shows in the United States and Canada are developing a solid reputation in specific product areas, namely winter, utility and work boots. With products offering quality, style and good value, manufacturers are having some success in exploiting niche opportunities in international markets. A growing number of firms are investing in the most recent technologies (e.g. computer-aided design/computer-aided manufacturing [CAD/CAM] and just-in-time [JIT] systems), and in improving product lines and installing the management structures required to compete effectively in the U.S. and European markets.

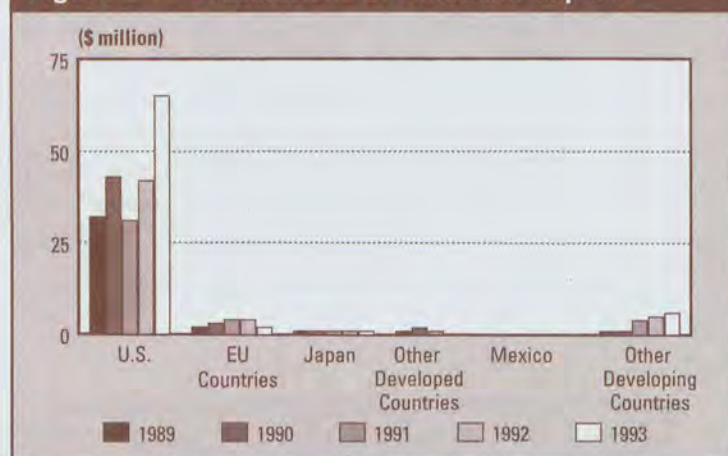
The firms, with few exceptions, are small- to medium-sized manufacturers, ideally suited to service the diverse demands of the small domestic market. The flexible production systems that they have developed over the years serve them well in capitalizing on niche marketing opportunities in

Figure 2 — Apparent Canadian Market (ACM)



Source: Statistics Canada

Figure 3 — Destinations of Canadian Exports



Source: Statistics Canada

other countries. Export trade is essential to the future viability of this industry, as there is little room for growth in Canada.

To meet this challenge, firms will have to introduce modern management practices and be more receptive to adopting emerging new technologies and to encouraging employee participation in decision making. Currently, very few companies spend sufficient time networking with other manufacturers, attending major technical shows and seminars, or engaging in joint ventures of any significance.

## Strategic Direction

Strong import competition resulting from the liberalization of world trade is forcing the industry to solidify its position domestically, and to actively pursue export opportunities stemming from the Canada-U.S. Free Trade Agreement (FTA) and the North American Free Trade Agreement (NAFTA), as well as longer-term opportunities in the European and Asian markets.

To help the industry pursue these export opportunities, Industry Canada (IC), the Department of Foreign Affairs and International Trade (DFAIT), and the Shoe Manufacturers' Association of Canada (SMAC) will work closely on:

- promoting the adoption of new technologies to improve design, quality and productivity by encouraging membership in SATRA, a leading footwear research and product development centre. This will be accomplished mainly through seminars, publicity efforts and company visits (IC, SMAC);
- providing support for a mission to the GDS Shoe Fair in Düsseldorf, Germany, combined with visits to modern shoe factories to assess recent product/technology developments and to foster strategic alliances between major Canadian and European footwear manufacturers (IC, SMAC, DFAIT);
- improving export performance through participation in key U.S. trade shows in Las Vegas (DFAIT), industry/government-run seminars and workshops on export practices and opportunities (DFAIT, IC), and access to information on the footwear markets in the United States, Germany, the United Kingdom and Scandinavia (DFAIT, IC);
- developing a "benchmarking" project to compare the performance of Canadian corporate participants within their own industry and with their competitors in the United States.

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## Sporting Goods (including recreational watercraft)

The sporting goods industry includes firms primarily engaged in manufacturing a broad range of consumer goods for individual and group recreational and fitness activities.<sup>1</sup>

### International Environment

The world market for sporting goods is estimated at about \$70 billion, with recreational watercraft/marine accessories representing another \$20 billion. At the country level, there is a high degree of market concentration with the top 10 countries estimated to represent in excess of 80 percent of the world market and 75 percent of international trade. However, at the individual supplier level it is almost the reverse, with industry estimates indicating the top 10 companies control less than 20 percent of the market. Although exact worldwide market figures are unavailable, industry estimates place the U.S. at 30 percent of the sporting goods market, the European Union (EU) at about 33 percent, Japan at 22 percent, Canada at 3 percent, and the rest of the world at about 12 percent. In recreational watercraft, the U.S. accounts for about 50 percent of the market, EU 25 percent, Japan 10 percent and Canada 2 percent.

Worldwide, the sporting goods market relies heavily on trade, with about one third of the world market subject to international trade flows. In addition, there exists a high degree of country-specific product identification and manufacturing specialization. Generally, lower cost products are sourced from Far East low-wage countries, while developed countries (including Taiwan) provide the higher value-added items.

During the late 1980s there was a high degree of rationalization, and such well-known companies as Wilson, Nordica, Puma, Adidas, Head Prince, and Cooper changed ownership or were taken over. In the boating segment, Outboard Marine

Corporation, Brunswick, and Genmar undertook major restructuring programs.

Brand names continue to dominate the sale of medium- to high-end products. With the notable exception of Alpine ski manufacturing, suppliers tend to source products from countries or regions where the transaction will be to their benefit.

Despite moving some production facilities to China, Taiwan continues to be the leading exporter of sports equipment, accounting for almost 20 percent of world exports, while the United States dominates in recreational watercraft. Recent players emerging as significant exporters include China (particularly in bicycles) and low-wage areas in the Far East (e.g. Indonesia, Philippines, Thailand, Malaysia). In several cases, the emergence of these countries as exporters is the result of transferring existing production facilities from higher cost locations such as Taiwan, the Republic of South Korea and Hong Kong.

While technological and innovation development is widely dispersed, it is the country or region usually associated with a particular product that is often in the forefront of design and innovation. The sporting goods industry is second only to the defence/military sector in the use of composites and advanced materials. With many developed countries reducing spending on defence, companies engaged in the development and supply of advanced materials are looking more closely at this sector to expand its use of these materials. It is expected that the use of composites, already extensively adapted to racquet and golf equipment, will become more widespread throughout the industry.

<sup>1</sup> Excluded are firms primarily engaged in camping equipment, sporting arms and ammunition, sport tape, skate sharpening, athletic footwear and jerseys.



Several key emerging consumer trends in North America and Western Europe will influence the market, particularly:

- the continuing emphasis on personal fitness and family or group recreational activities, which is expected to sustain these activities' growth and popularity at the expense of competitive individual and team sports;
- increased female participation, helping to expand overall participation in many recreational and sporting activities and to popularize newer ones, resulting in increased demand for both new and existing equipment; and
- greater awareness by users of outdoor and recreational products of the effects these products and activities have on the ecology and environment. More manufacturers are now considering these issues in their product development and marketing plans.

Key emerging markets that will affect the industry in the next few years are the North American Free Trade Agreement (NAFTA), the developing economies of Eastern Europe and a more closely integrated EU. The potential effects of the General Agreement on Tariffs and Trade (GATT), which is to be implemented July 1, 1995, are difficult to assess, although they are not expected to result in any significant change in the industry.

Two new, potentially major competitors that have appeared on the global sporting goods scene are Russia and China. Canadian industry is encountering pressure from Russia's hockey stick production, while China has become a major supplier of bicycles to most developed economies, including Canada.

For the next decade:

- Internationally, all indications are that the outlook for sporting goods, including recreational watercraft, will be bright although sales may not achieve the 8 percent to 10 percent annual growth of the 1980s. The rise in many countries' income levels and an increasing interest in pursuing leisure activities, while

maintaining an active and healthy lifestyle, will reinforce this growth.

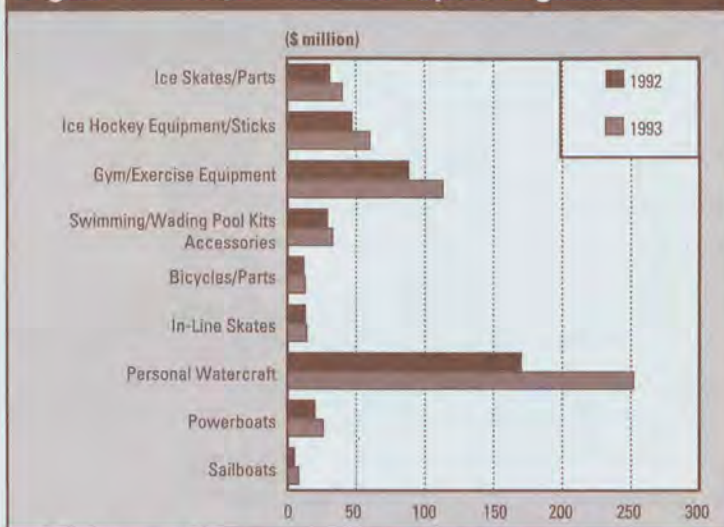
- Sourcing opportunities will expand as more countries become skilled in the use of composites and advanced materials. These will continue to supplant more traditional materials and gain acceptance among consumers.
- The more successful firms will be marketers, not just manufacturing operations, with control over the brand name, distribution, service, and manufactured quality of products.
- The industry will have to reduce product development time while there will be pressure from major retailers to shorten the product buying cycle.
- The industry will increase the use of recycled and recyclable materials in the manufacturing process and place greater emphasis on the development and marketing of environmentally friendly products.
- Significant growth is expected in individual outdoor-oriented activities and slower growth in team and indoor activities. Some segments targeted as growth areas over the next decade are products associated with cycling, soccer, exercise walking, basketball, in-line skating, volleyball, exercising with equipment, wilderness activities, and personal watercraft.

## **Canadian Position**

In 1993, the sporting goods industry comprised about 500 establishments and employed about 14 000 people. It has annual shipments of about \$1.2 billion (\$800 million in sporting goods and \$400 million in boats/marine accessories), of which \$656 million (56 percent) is exported. Imports are \$1.1 billion and account for 68 percent of the apparent Canadian market.

Many companies in the industry are Canadian-owned. They range in size and scope from relatively small operations serving niche markets and usually manufacturing a narrow brand of products,

Figure 1 — Major Canadian Export Segments



Source: Statistics Canada

to large, globally competitive companies with the resources and management to compete against well-known brand names. Canadian companies generally have a reputation for high-quality, well-engineered and well-designed products, and are strong international performers in certain segments of world markets.

While smaller Canadian companies have established a name and reputation in such diverse niche markets as sports whistles, above-ground pools, outdoor products and swim goggles, Canadian industry is known on a global basis more for its strength in the skating and hockey equipment, cycling, exercise equipment, and personal watercraft segments (see Figure 1). Canada's presence in these segments is dominated by large, sophisticated, internationally competitive manufacturers that have been in the forefront of opening new markets. In many cases, smaller companies have been able to take advantage of their efforts by exporting complementary and accessory products.

International trade is key to maintaining the industry's viability. In recent years, the export performance of firms in the industry has surpassed domestic growth and exports now represent

almost 56 percent of total shipments. In particular, there have been major export increases in ice skates and hockey equipment, personal watercraft, and exercise equipment.

In 1993, total exports increased by 36 percent over 1992. Geographically, the United States continues to be the dominant market, receiving about 85 percent of Canadian exports, followed by Western Europe with 8 percent and Asia (primarily Japan) with 3 percent.

Exports to the United States are expected to continue to grow significantly for the next several years, with the industry increasing its percentage of U.S. exports. This growth in exports to the United States is fuelled by the rising North American popularity of certain segments in which Canadian firms are major players, namely personal watercraft, in-line skates, exercise equipment and the complementary growth in products and accessories associated with the marine industry and roller and ball hockey. With leading manufacturers in all these categories, Canadian industry is taking advantage of this surge in popularity.

In Europe, it is expected that recent geopolitical changes will have a definite impact on the Canadian industry. The development of market economies in Eastern Europe is expected to create additional opportunities for skating and exercise equipment products, which are already popular in these countries.

Western Europe continues to be a significant market for the industry. Export increases have occurred in exercise equipment, ice skates, selected outdoor products (e.g. canoes), and splash/wading pools.

Major exporters are preparing for the closer economic integration of Europe in several ways. Some companies are establishing wholly owned marketing and production subsidiaries in the EU, while others are either aligning with community-wide wholesalers or developing licensing arrangements. Medium-sized and smaller companies with export potential are showing interest in identifying contacts to optimize opportunities that



will arise when the European economies are fully integrated. While the potential impact of the GATT is difficult to assess, the industry generally foresees increased possibilities in Europe and other developed areas, but has expressed concern about competition in this market from such Far East countries as Taiwan, the Republic of Korea, Malaysia, Thailand, China and the Philippines (see Figure 2).

With the recent implementation of the NAFTA, the Canadian industry has shown strong interest in identifying opportunities for sports and recreational products in the Mexican market. Several companies have already initiated contact, but there is a general consensus that more information and market intelligence on doing business in Mexico is required if the industry as a whole is to take full advantage of the market.

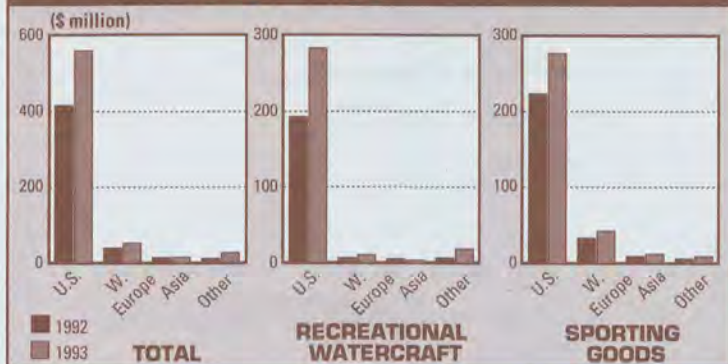
Canada is in a good position to take advantage of the growing popularity of in-line skating/hockey, personal watercraft, and outdoor activities. It should continue to maintain a dominant presence in the ice skating and hockey equipment sectors, with a lesser, though still competitive, position in cycling, exercise equipment, swimming pools and accessories, and recreational boats. In addition, Canada has established a good reputation as a quality supplier of specific niche products such as sports whistles, camping products, swim goggles, and high-end bicycle parts and accessories.

### Strategic Direction

To maximize opportunities for the sporting goods industry, the Government, in concert with the industry, will promote and encourage the following initiatives and activities:

- provide strategic market intelligence mainly in terms of industry statistics, and market and product trends to help manufacturers increase sales of goods with competitive advantages in high-growth and niche markets (IC, DFAIT/missions);

Figure 2 — Exports by Geographical Region 1992 vs 1993



Source: Statistics Canada

- continue to focus on market development activities. Canadian missions to and exhibits at selective internationally recognized general sporting goods trade shows can expose Canadian products to a broad spectrum of international buyers. Examples of fairs are the National Sporting Goods Show in Chicago, ISPO in Germany, and the Montréal International Sports Exhibition (DFAIT/missions, associations, IC);
- provide market information and logistical and financial support to encourage companies to pursue opportunities in Japanese general sports and leisure shows and in European specialty and regional shows, such as Eurobike, SPOGA, METS, FIDEC, SISEL, MIAS (DFAIT/missions, IC);
- capitalize on opportunities arising from the NAFTA by:
  - continuing to assist and encourage companies to participate in niche and speciality shows in the U.S. in product segments where they can compete effectively, such as Outdoor Retailer, International Marine Trades Exhibition, National Spa and Pool Show, and Interbike;
  - developing more knowledge about the distribution characteristics and opportunities that exist in the Mexican market through

detailed market intelligence and participation in exploratory missions to major Mexican trade shows (DFAIT/missions, IC);

- assist small- and medium-sized firms to become export-ready and better prepared to compete in international markets through government- and association-led seminars, workshops, and missions. These will be focussed on raising export awareness, highlighting best practices, and cultivating new management attitudes (IC, DFAIT, associations);
- implement the INSIGHT pilot project for recreational boats, which consists of gathering, editing and organizing all published international and domestic information concerning the boating industry. It will be distributed on diskette to the industry, trade missions, and associations (IC, DFAIT/missions, associations);
- work with relevant associations to maintain awareness of their members' objectives and interests, and co-operate with associations to design marketing plans that can be implemented jointly by government and industry, or be recommended for implementation by the appropriate government department (associations, IC, DFAIT).

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## Tools, Hardware and Housewares

The Canadian hand tool, hardware and housewares industries manufacture a broad range of products such as cookware, cutlery, tableware, plastic housewares and other durables, locks and latch sets, cabinet and casket hardware fittings, hinges, and other builders' and shelving hardware as well as a variety of non-power-driven hand tools and implements such as augers, axes, chisels, edge tools, garden implements, hammers, handsaws, mechanics' measuring tools, screwdrivers and wrenches.

### International Environment

Significant changes in the global economy are affecting the market for Canadian-made hand tools, hardware and housewares products. Global consumer expenditures on these products have been stagnant during the past few years, resulting in significant pent-up demand particularly in the dominant U.S. market. As consumer confidence and the market for new homes improve, spending on household durables can be expected to increase. The aging baby boom generation is now reaching its highest level of personal disposable income. In addition, many hardware and home centre dealers are discovering growing demand for products that appeal to older shoppers. This demand is based on four factors: safety, convenience, ease of operation or manipulation, and security. Consequently, demand for many household consumer products such as lawn and garden equipment, cordless power tools, and small household appliances is increasing.

There are a number of areas where the international outlook for Canadian durables seems promising, including lawn and garden implements, tableware, plastic housewares, cookware, the do-it-yourself (DIY) market, composters and patio garden ornaments. Innovative and environment-related niche products such as composters also offer excellent opportunities for Canadian producers in international markets.

Currently, the U.S. accounts for over 90 percent of Canadian exports of these products, due in part to the Canada-U.S. Free Trade Agreement (FTA). It is expected that the North American Free Trade

Agreement (NAFTA) will help to open up the Mexican market to competitive Canadian products. Under the NAFTA, Mexican tariffs on household durables, currently in the range of 15 percent to 20 percent, would be phased out over 10 years. This is particularly significant as the Mexican market for household durables is expected to grow for some time as the country's standard of living rises. For many companies, Mexico is seen as a gateway to the Latin American market.

Although the European market has received some attention from Canadian exporters over the past few years, it is primarily the specialized niche markets that appear to offer the greatest potential for Canadian firms.

### Canadian Position

The demand for hardware products closely follows the level of activity in manufacturing and construction, (including residential and non-residential construction), and the home renovations market. The sustained recession, from which the Canadian economy now seems to be recovering, caused a sharp decline in demand for hardware and hand tools in recent years. Short-term prospects for a rebound in the manufacturing and construction industries are not promising, and economists predict that construction will be among the last business sectors to benefit from the general economic recovery.

In the interim, the current decline in residential housing starts has resulted in increased interest in renovations and upgrades of existing homes. This trend has translated into greater demand for

hand tools in the DIY market, and has more than offset the decline in demand by the manufacturing and construction industries.

Although small companies with less than 20 employees dominate the Canadian hand tool, hardware and housewares manufacturing base, they account for only a small fraction of the total value of shipments. The lion's share of domestic sales are made by a small number of large companies. Approximately 40 percent of these are subsidiaries of U.S.-based multinational corporations.

Total industry sales for 1992 were estimated at \$5 billion, with employment at approximately 24 000. The tool, hardware and housewares sectors have long recognized that viable export markets must be developed and expanded if they are to grow profitably and continue to be a strong employer in Canada.

The U.S. is both the principal destination of Canadian exports and the principal source of its imports. Low-cost Asian imports, however, especially from Taiwan, have shown strong growth in recent years. The steady growth in hardware imports from low-cost Asian producers reflects the much lower material and labour costs enjoyed by all developing countries. These cost advantages have forced small Canadian firms to specialize and carve out niches in which to market their products. What Canadian firms lack in cost advantages over their foreign counterparts, they are making up in quality and innovation.

## Strategic Direction

To maximize opportunities for the tools, hardware and housewares industries, government in co-operation with industry, will:

- continue to focus on the U.S. through niche marketing;
- increase the level of export activity through:
  - encouraging more companies to participate in key U.S. trade shows such as the Chicago Hardware/Building Products Show (Industry Canada [IC], Department of Foreign Affairs and International Trade [DFAIT]/missions);
  - incoming missions of buyers to visit Canadian trade shows and plants (DFAIT/missions, IC);
  - providing strategic market intelligence, particularly industry statistics and market and product trends (DFAIT/missions, IC);
  - encouraging firms to take advantage of new opportunities in Europe and Mexico by participating in major trade fairs in those regions through the Program for Export Market Development (PEMD) (IC, DFAIT/missions);
- enhance market intelligence gathering and dissemination, such as updating the *Directory of Canadian Exporters of Hardware and Housewares Products* (DFAIT).

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## Residential Furniture

The residential (also referred to as household) furniture industry includes firms that primarily manufacture wooden, upholstered, and other household furniture (made of metal, plastic and other material).

### International Environment

In 1993, the world market for all furniture products was estimated at over \$149 billion, with the five largest furniture importing countries being Germany, the United States, France, the Netherlands and the United Kingdom.

The residential furniture market is greatly dependent on regional and consumer preferences for style, design, size and quality.

The General Agreement on Tariffs and Trade (GATT) is not expected to dramatically alter existing trade patterns for residential furniture products. The U.S. will remain Canada's principal trading partner due to its geographical proximity and common characteristics of furniture product design, quality and standards. However, increased competition may be expected from Asian countries which, with modern technology, could produce all types of products, from low- to high-end categories.

The North American Free Trade Agreement (NAFTA), which was implemented on January 1, 1994, will phase out tariffs on furniture over the next 5 to 10 years between Canada, the United States and Mexico. Opportunities will exist mainly for Canadian producers of high-end specialty products that do not compete directly with Mexican low-cost products.

Taiwan is by far the largest source of U.S. and Canadian residential furniture imports. Other Asian countries, such as the Philippines, Malaysia and Indonesia, are developing efficient furniture manufacturing industries for the purpose of exporting. China, with its abundant, low-wage labour force, is also becoming more active on the international scene. These imports mean particularly strong competition in the metal furniture, wooden living-room and outdoor furniture areas.

Although the market for residential furniture in Japan has been stagnant over the past few years, a wide range of trade promotion activities should help to stimulate further growth in furniture exports in the near future. Osaka's new Asia and Pacific Trade Centre, which opened in the spring of 1994, should give foreign and Japanese manufacturers an opportunity to exhibit products and sell directly to Japanese retailers, thereby short-cutting the complex Japanese distribution system.

Furniture products imported from Europe tend to feature unique modern or contemporary designs in higher-priced ranges that appeal to smaller market segments. Many of these high-end products are shipped unassembled.

In the past, labour costs, access to raw materials, tariff rates and transportation fees were critical to the competitiveness of furniture products in the marketplace. In the future, comparative advantage will be based more upon marketing talent, integration and design. It will be more important than ever to deliver high-value products at the lowest possible cost.

### Canadian Position

In 1993, the Canadian residential furniture industry consisted of about 660 firms, with shipments worth \$1.6 billion, and employed some 19 000 people. A large part of the industry is located in Quebec and Ontario, with these provinces accounting for approximately 85 percent of employment and shipments. Shipments originating from Western Canada accounted for most of the remaining 15 percent.

Exports of Canadian residential furniture reached \$418 million in 1993, an increase of 42 percent over 1992. Exports accounted for



approximately 26 percent of Canadian residential furniture shipments, while 36 percent of the domestic market was supplied by imported furniture. The United States, by far Canada's largest export market, received about 95 percent of all residential furniture exports in 1993. It is also Canada's largest source of furniture imports, accounting for about 55 percent of total imports in 1993. Europe is the second-largest export destination for Canadian furniture products, followed by Japan.

The wooden furniture subsector accounted for close to 75 percent of all residential furniture exports in 1993. It was also the only subsector to register a positive trade balance (\$22.6 million in 1993).

Most Canadian residential furniture manufacturers are small- to medium-sized firms, many of which are Canadian-owned, and a few operate production facilities in the United States. Some have demonstrated the capacity to be competitive in continental and international markets, and some are niche players with a special talent for marketing unique products.

The residential furniture market is largely heterogeneous, with a wide variety of consumer preference for style, design, uniqueness, quality and price. All products are also characterized by categories of low-, medium- and high-priced furniture. Given the substantial tariff protection in the past, Canadian manufacturers were able to maintain a dominant position in the domestic market by producing a wide variety of designs and styles in all price ranges.

With the elimination of tariffs under the Canada-U.S. Free Trade Agreement (FTA), U.S. competition in the Canadian market has significantly increased. As it is becoming harder for Canadian manufacturers to maintain their share of the domestic market, they will have to increase their exports to foreign markets. Although the current exchange rate has favoured Canadian producers, they still need to improve their

productivity and competitiveness by:

- implementing more efficient manufacturing methods;
- focussing on product specialization;
- designing new products;
- developing new markets;
- improving marketing and promotion strategies;
- considering strategic alliances or joint ventures, both domestically and internationally.

Mexico's emergence as an important player in the North American market will increase the competition faced by the Canadian industry in domestic and main export markets. Low-end Mexican-made furniture will replace some low-end imports from the United States and Asia, and unique Mexican styles will also sell in Canada. Canadian manufacturers should investigate the possibility of penetrating the large Mexican market, mainly through quality, high-end furniture products (e.g. casegoods, upholstery) that would not be in competition with low-cost furniture.

Canadian exports to Japan rose from \$1.5 million to \$6.5 million between 1992 and 1993, mainly due to increased Japanese interest in North American products, the low value of the Canadian dollar, and the high cost of manufacturing in Japan. The Japanese market may also offer some opportunities for a number of Canadian specialty wooden furniture manufacturers. More is required to identify the export opportunities offered by this huge market. Differences in style, culture, language, distribution and marketing systems are factors that need to be studied in more depth. Canadian manufacturers will also need to adjust their design and sizing to make their products suitable for the Japanese and Asian markets.

Canadian manufacturers will have to become more competitive by pursuing the productivity gains available through new technologies and advanced manufacturing systems. The increased

use of these new technologies, together with more emphasis on developing export markets, will likely allow medium-sized firms to offer a narrower product line to a broader market base. Design, market research and promotion will be very important to success in international markets. The development of export-oriented management systems will also allow firms to make long-term financial and product-development commitments. Specialization (niche marketing) will be the key to survival for much of the Canadian residential furniture industry.

Selling price, customization, quality, design and quick delivery times will give Canadian producers the advantages they need to compete in the international marketplace.

Due to transportation costs, the popularity of ready-to-assemble furniture is expected to continue, and new products will be introduced to accommodate the rising demand for home office and home entertainment centre products. Recently, more attention has been given to designing products that satisfy the needs of the aging and disabled populations, while juvenile furniture and motion furniture are also experiencing greater popularity.

## Strategic Direction

To make the most of the opportunities for the residential furniture industry, government, in co-operation with the industry will:

- continue to focus efforts on the U.S. market;
- increase the level of export activity by:
  - encouraging more companies, particularly small- and medium-sized firms, to participate in key U.S. trade shows (e.g. High Point), and to take advantage of government assistance programs such as the Program for Export Market Development (PEMD) (Industry Canada [IC], Department of Foreign Affairs and International Trade [DFAIT]/missions);
  - organizing incoming missions of targeted dealers and buying groups to visit Canadian trade shows and plants (DFAIT/missions, IC);
  - providing strategic and up-to-date information on foreign markets, such as statistics, specific products in targeted geographic markets, dealers and buying groups, fairs, market trends (e.g. market study of residential furniture in Japan) and technology (IC, DFAIT/missions);
  - encouraging firms to take advantage of new opportunities in Mexico and the Asia-Pacific region by participating in major trade fairs in those regions (DFAIT, IC);
  - updating and preparing guides and directories on Canadian export capabilities for the furniture industry, under Phase I of DFAIT's International Opportunities Canada (IOC) program, for distribution to missions and the foreign buying community (DFAIT, IC);
  - updating and preparing Global Market Opportunity Reviews (GMORs), under Phase II of IOC, for distribution to Canadian companies;
- organizing seminars and workshops to better prepare Canadian exporters to enter new markets (DFAIT, IC, industry);
- increasing Canadian visibility abroad by helping the industry develop an effective marketing program, mainly for High Point (IC, associations);
- encouraging product design, productivity and quality improvement, using funding provided through such initiatives as IC's Furniture Sector Campaign (IC);
- increasing exporter compliance with foreign standards by monitoring relevant foreign government policies and initiatives, and participating in international forums to advocate the development of international standards, testing and certification, including ISO 9000 standards (IC, associations, technology centres).

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## Business and Institutional Furniture

The business and institutional furniture manufacturing industry consists of establishments engaged in the production of furniture made from metal, wood and other materials. Business furniture products include seating, desks, filing equipment, screens, home/office products and systems furniture. Institutional furniture products include public area, hotel, motel, library, health-care and hospital furniture. The consumers of these products are corporations, institutions, governments, professionals and, to a lesser extent, the residential sector.

### International Environment

In 1993, the world market for furniture of all types was estimated in excess of \$149 billion. Global trade in furniture represents about 3 percent of international exports in manufactured products. Although exact figures of the worldwide furniture market are unavailable, industry estimates place the United States and Canada at 26 percent and 3 percent respectively, the European countries at about 39 percent, Japan at 8 percent and the rest of the world at 24 percent.

Globally, the furniture market is dependent on trade flows heavily influenced by quality and regional design and styling requirements. Further, it is characterized by a high degree of country-specific product identification and manufacturing specialization.

Asian producers are competitive in North America in ready-to-assemble furniture in the low-to medium-price ranges, especially in the expanding desktop office equipment support furniture and systems furniture sectors.

European producers are competitive in the higher price ranges relative to niche markets both in Canada and the United States. These imports from Europe of seating and office systems usually feature unique design and technical innovations that tend to appear in domestic products for the North American marketplace some 6 to 12 months later.

The North American market has been and will continue to be the most important segment of global markets (with an estimated market share of some 40 percent) for business and institutional

furniture manufacturers. This success is due, in part, to the commonality of product standards and the common characteristics of product design.

Opportunities for business and institutional furniture exist in the new and emerging Mexican segment of the North American market. Mexican-produced furniture in the medium-term will replace some lower priced Canadian imports from the U.S. and Asia. Uniquely styled, high-end, wood executive furniture from Mexico has found, and will continue to find limited success in Canada and in international markets, taking into consideration that Mexico has had tariff-free access to the U.S. market for some time, with little success. Nevertheless, the industry should target and pursue opportunities in the large and expanding Mexican furniture market with products in all price ranges, as competitiveness is achieved more through design and quality and less through price. However, the cost of transporting products to markets favours the domestic producer.

The furniture industry's recent experience in opening the Japanese market demonstrated that some opportunities do exist, in the medium-term, for a very limited number of manufacturers of specialty furniture and high-end executive wood and systems furniture. Expansion in the longer term is dependent on the cost of commercial space, product design downsizing, transportation costs, evolving changes in the Japanese distribution system and commercial environmental culture.

Mainland China and other Southeast Asian countries have relatively unexploited markets for business and institutional furniture. In the short-to medium-term these markets are expected to

offer only limited export opportunities for producers of ready-to-assemble furniture because of the high cost of transportation, the lack of hard currency, the abundance of low-wage labour, access to raw materials and the coming on stream of Asian producers using European and North American state-of-the-art technology.

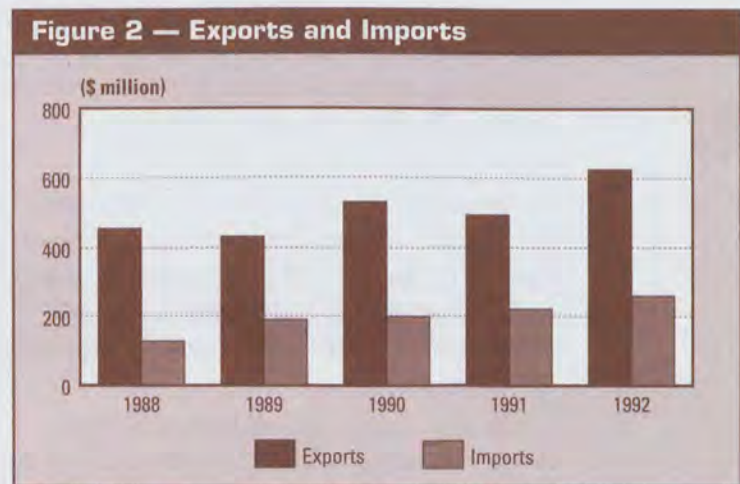
In many developing countries, international financial institution (IFI) expenditures play an important role in infrastructure development. Despite Canada's role as a leading donor to IFIs, Canadian manufacturers of institutional furniture have not taken full advantage of associated procurement opportunities. Total lending from these institutions exceeds US\$40 billion a year, a significant portion of which should be of interest to Canadian suppliers. IFI procurement activity can represent a major source of financing for penetration into developing markets and regions that can otherwise be difficult markets.

### Canadian Position

The Canada-U.S. Free Trade Agreement (FTA), which came into force on January 1, 1989, has been paralleled by reductions in construction starts for commercial, institutional and industrial building both in Canada and the United States. Canadian imports of furniture, especially from the United States, have shown a significant increase, and with the introduction of the North American Free Trade Agreement (NAFTA) on January 1, 1994, and the General Agreement on Tariffs and Trade (GATT) tariff cuts scheduled to begin on July 1, 1995, potential competitive pressures faced by Canadian manufacturers in their traditional markets are now expected to be greater than in the past few years. In the medium- to long-term, Asian countries such as Japan, Taiwan, the Republic of Korea and China are developing efficient furniture manufacturing sectors for export to global markets, and will add to this pressure. Asian imports represent some 10 percent of Canada's domestic market and provide strong



Source: Statistics Canada



Source: Statistics Canada

competition, especially in metal desks, wood tables and, to a lesser extent, in metal filing systems.

In this sector, demand is driven by the rate of vacancies in commercial, institutional and industrial buildings (which is high, but a lowering trend is anticipated in the next 12 months), changes in non-production employment, corporate profits, commercial construction, investments in office automation equipment, the home office phenomenon, and past postponements of replacement investments of business and institutional furniture.



In 1993, the Canadian industry shipped products worth \$1.5 billion (see Figure 1) and provided employment for about 17 768 persons. The portion of Canadian shipments destined for export was 45 percent, while 37 percent of the Canadian market was supplied by imports (see Figure 2). The U.S. is by far Canada's largest export market, absorbing some 95 percent of Canadian business and institutional furniture exports. It is also the largest supplier of furniture imported into Canada, accounting for some 82 percent. Other main sources of imports are Europe and Asia. The business and institutional furniture sector is presently enjoying a positive trade balance of some \$201 million.

Canadian furniture manufacturing establishments are generally small- to medium-sized, with some 70 percent to 80 percent of shipments generated by the top 20 large firms (those employing over 100 production workers), and it is estimated that 90 percent of establishments are Canadian-owned. An increasing number of U.S. business and institutional furniture manufacturers have Canadian subsidiaries that supply both the domestic and export markets. A growing number of Canadian-owned firms have established production facilities in the United States.

Production facilities are concentrated in Ontario and Quebec, with these two provinces accounting for approximately 90 percent of total shipments. There is also a concentration of plants in Manitoba, Alberta and British Columbia.

Manufacturers of business and institutional furniture remain a dominant force in their domestic markets, and continue to achieve an increasing degree of success in the United States. This success is attributed to a number of factors, including the Canadian dollar in its current devalued state, a measure of cost-competitiveness with U.S. industry, flexible design specifications, high-quality products, and skilled exploitation of medium- and high-priced niche markets. However, on the negative side, the dramatic difference in the cost of shipping within the North American market favours the U.S. producer. Some firms

are exploiting offshore markets, but the industry has not actively pursued overseas opportunities because the U.S. still offers the greatest scope for further expansion.

Continuing changes in the dealer/customer base, especially in the United States, will have a significant impact on the ability of smaller manufacturers to compete. Companies such as Office Depot and many large manufacturers are either buying out dealers or becoming financially involved, and this is starting to take place in Canada.

Implementation of the FTA has increased competition in the Canadian market. This, along with competition from overseas producers, has required Canadian manufacturers to improve productivity and competitiveness through product specialization, development of new markets, the use of more efficient manufacturing methods and the undertaking of mergers and acquisitions. With the emergence of the NAFTA and the completion of the GATT negotiations, Canadian furniture manufacturers are now more exposed to international competition and will have to seriously review their marketing practices and strive to increase their share of the global market.

The global marketplace is a reality, and to take full advantage of the potential market opportunities, the industry must formulate new and innovative products and marketing strategies.

## **Strategic Direction**

Continuing slow growth in the business and institutional furniture sector and the challenge of global competition are compelling the industry to maximize their domestic market efforts and aggressively pursue exports. Government efforts will focus on providing the industry with intelligence that will help manufacturers increase exports. All export-ready manufacturers will be encouraged to capitalize on opportunities arising from the FTA, the NAFTA and the GATT. Manufacturers of furniture products with a competitive advantage in Asia-Pacific and European

markets will be assisted in the development of prospective long-term market opportunities.

Government, in co-operation with the business and institutional furniture industry, will work to take advantage of market opportunities on a global scale by:

- comprehensive consultations, initiated by the Department of Foreign Affairs and International Trade (DFAIT), in co-operation with Industry Canada (IC) and representatives of the industry, to identify the most appropriate export strategies for specific markets and to determine and set priorities for the industry's strategic trade intelligence requirements;
- targeted efforts by DFAIT, supported by IC, to overcome international barriers to the long-term trade competitiveness of the sector, e.g. "Buy America Act";
- the Canadian General Standards Board as the primary facilitator, supported by IC and in co-operation with industry, will concentrate on global product standards (ANSI/BIFMA) and quality assurance, including ISO 9000 standards;
- IC will assist in the Canadian Furniture Industry's efforts toward global product standards and quality assurance through its Furniture Sector Campaign Program;
- participation in global trade shows and missions. Industry requirements will be met using available programs such as the Program for Export Market Development (PEMD), sponsored by DFAIT;
- DFAIT (geographical bureaus and the Trade Commissioner Service), in co-operation with IC (industry sector branches), will encourage small, medium and large manufacturers to be ready for global market opportunities by providing specific market entry information. They will also provide reliable information on developing viable foreign market and investment opportunities;
- encouraging partnering and international strategic alliances between the industry and other sectors to conduct product design

research and development, exploit results, and capitalize on innovations in product design. Niche market development will be supported through available programs such as IC's Furniture Sector Campaign Program and DFAIT's Investment Prospecting and Technology Services;

- DFAIT and IC will improve mechanisms for supplier identification and development. They will also improve, as recommended by a federal interdepartmental task force, the dissemination to potential bidders of project information and intelligence regarding multilateral development bank (MDB) lending;
- DFAIT and IC will prepare and/or update Canadian furniture industry export capability guides under Phase I of DFAIT's International Opportunities Canada (IOC) program. The directories will be distributed to Canadian trade offices abroad and to the foreign buying community;
- DFAIT/missions and IC will prepare and/or update Global Market Opportunity Reviews (GMORs), under Phase II of IOC, for distribution to Canadian companies.

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Activity	Date	Location	Dept.	Contact
<b>Canada</b>				
Incoming Buyers to SIDIM	25-May-95	Montréal	DFAIT	613-944-9479
SATRA Seminar	Jun-95	Canada	IC	613-954-2921
Incoming Buyers to Market Showplace '95	05-Aug-95	Calgary	DFAIT	613-944-9479
Furniture Seminars Phase II	Oct-95	Toronto, Montréal	DFAIT	613-944-9479
Incoming Buyers to IIDEX	16-Nov-95	Toronto	IC	613-954-3094
<b>Central/Eastern Europe and the Commonwealth of Independent States</b>				
TIBCO '95 - Info Booth and Mission	Jun-95	Bucharest	DFAIT	613-992-1449
Consumer Goods '95 - National Stand	Jul-95	Kiev	DFAIT	613-944-1437
Security Systems Equipment Mission	Nov-95	Latvia and Estonia	DFAIT	613-944-1437
<b>East Asia</b>				
International Medical & Pharmaceutical Equipment & Technology - Info Booth	Jun-95	Shanghai	DFAIT	613-996-6987
<b>Japan</b>				
Tokyo International Gift Show - Info Booth	Apr-95	Tokyo	DFAIT	613-996-2460
Japan International Fur & Fashion Show - National Stand	Apr-95	Tokyo	DFAIT	613-996-2460
Sporting Goods Mission from Japan	24-Sep-95	Toronto, Vancouver, Montréal	IC	613-954-3109
Shanghai Construction Show - Info Booth	07-Oct-95	Shanghai	DFAIT	613-996-6987
JETRO's Leisure & Recreation Show - Info Booth	Mar-96	Tokyo	DFAIT	613-996-2460
<b>Latin America and the Caribbean</b>				
Canadian Fashion Promotion - Solo Show	Apr-95	Mexico	DFAIT	613-995-0460
Furniture Industry Market Profile	Apr-95	Mexico	DFAIT	613-995-0460
Sporting Goods Market Profile	Apr-95	Mexico	DFAIT	613-995-0460
North American Fur Fair - Mexican Visitors	06-May-95	Montréal	IC	613-954-2888
DEPORTEXPO - Info Booth	29-Jul-95	Guadalajara	IC	613-954-3109
Intefer - Info Booth	Oct-95	Guatemala City	DFAIT	613-996-6129
Fisa - National Stand	27-Oct-95	Santiago	DFAIT	613-996-4199
Catalogue Show - Zone Libre de Colón	Nov-95	Colón	DFAIT	613-996-6129
Havana International Fair - Info Booth	Nov-95	Havana	DFAIT	613-996-6129
Expocomer - National Stand	Mar-96	Panama City	DFAIT	613-996-6129

Note: Dates and locations are subject to change.

<b>Activity</b>	<b>Date</b>	<b>Location</b>	<b>Dept.</b>	<b>Contact</b>
<b>United States</b>				
Market Opportunities - U.S.	Apr-95	Canada	IC	613-954-2888
IMTEC - National Stand and NEBS	Apr-95	Chicago	DFAIT	613-944-5149
Miami International Boat Show - National Stand	Apr-95	Miami	DFAIT	613-944-5149
Incoming Buyers (Chicago) to Canadian International Boat Show	Apr-95	Toronto	DFAIT	613-944-5149
NSGA Show - National Stand and Mission	Apr-95	Chicago	DFAIT	613-944-5149
Outdoor Retailer, Reno - National Stand	Apr-95	Reno	DFAIT	613-944-5149
Interbike '95, Anaheim - National Stand	Apr-95	Anaheim	DFAIT	613-944-5149
Canadian Market Opportunities U.S. - Textiles	Apr-95	Various	IC	613-954-2890
Contract Canada Solo Show	17-May-95	Washington, D.C.	DFAIT	613-944-9479
NeoCon '95 - National Stand	12-Jun-95	Chicago	DFAIT	613-944-9479
New Exporters to Border States Mission - Giftware	Aug-95	Seattle	IC	604-666-1443
New Exporters to Border States Mission - Nursery Products	Aug-95	Portland	IC	604-666-1443
Canada Mode - Solo Show	Aug-95	New York	DFAIT	613-944-9476
Midwest Men's Wear	Aug-95	Chicago	DFAIT	613-944-9476
Canadian Fashion Group - Solo Show	Aug-95	New York	DFAIT	613-944-9476
Intimate Apparel - Solo Show	Aug-95	New York	DFAIT	613-944-9476
Technical Mission to U.S.	Sep-95	Atlanta	IC	613-954-2888
NEBS Mission - Apparel/Textiles	Sep-95	Plattsburgh	IC	514-283-5103
Canada Home Furnishing Market - Visitors	17-Nov-95	Toronto	DFAIT	613-944-9479
Apparel Rep. Locator Mission	Jan-96	Minneapolis	DFAIT	613-944-9476
Apparel Rep. Locator Mission	Jan-96	Dallas	DFAIT	613-944-9476
Apparel Rep. Locator Mission	Jan-96	Buffalo	DFAIT	613-944-9476
Western Shoe Show - National Stand	Feb-96	Las Vegas	DFAIT	613-944-9476
Canadian Sporting Goods Show - Visitors from U.S.	TBD	Montréal	DFAIT	613-944-5149
Canada Mode - Solo Show	Feb-96	New York	DFAIT	613-944-9476
Midwest Men's Wear	Feb-96	Chicago	DFAIT	613-944-9476
Apparel Rep. Locator Mission	Feb-96	Boston	DFAIT	613-944-9476
Apparel Rep. Locator Mission	Feb-96	Los Angeles	DFAIT	613-944-9476
Canadian Retail Hardware Show - U.S. Visitors	05-Feb-96	Toronto	DFAIT	613-944-7486
Health-care Design Forum - National Stand	Mar-96	Minneapolis	DFAIT	613-944-9479



Activity	Date	Location	Dept.	Contact
<b>Western Europe</b>				
National Ready-to-Wear Show	Apr-95	Toronto	DFAIT	613-996-2147
North American Fur and Fashion Fair - European Visitors	03-May-95	Montréal	DFAIT	613-996-7544
GDS Shoe Fair	01-Sep-95	Dusseldorf	IC	613-954-2921
Canadian Hardware Show - Visitors from Austria	TBD	Toronto	DFAIT	613-992-7001
Montréal International Sports Exhibition - European Visitors	Feb-96	Montréal	IC	613-954-3109



## **Acronyms and Initialisms Used in The International Trade Business Plan**

(This list does not include sector-specific references)

ACOA	Atlantic Canada Opportunities Agency	IC	Industry Canada
AG Can	Agriculture and Agri-Food Canada	IDRC	International Development Research Centre
ASEAN	Association of Southeast Asian Nations	IFI	international financial institution
BBS	electronic bulletin board system	ISO	International Standards Organization
BOSS	Business Opportunities Sourcing System	ITBP	International Trade Business Plan
CCC	Canadian Commercial Corporation	ITC	International Trade Centre
CIDA	Canadian International Development Agency	MAPAQ	Ministry of Agriculture, Fisheries and Food of Quebec
CIS	Commonwealth of Independent States	MDB	multilateral development bank
CSA	Canadian Standards Association	NAFTA	North American Free Trade Agreement
DFAIT	Department of Foreign Affairs and International Trade	NATO	North Atlantic Treaty Organization
DFO	Department of Fisheries and Oceans	NRC	National Research Council
DND	Department of National Defence	NRCan	Natural Resources Canada
EC	Environment Canada	NRCan-CFS	Natural Resources Canada - Canadian Forest Service
EDC	Export Development Corporation	OECD	Organization for Economic Co-operation and Development
EU	European Union	PEMD	Program for Export Marketing Development
FITT	Forum for International Trade Training	R&D	research and development
FORDQ	Federal Office of Regional Development - Quebec	SMEs	small- and medium-sized enterprises
FSU	former Soviet Union	UNEP	United Nations Environmental Program
FTA	Canada-U.S. Free Trade Agreement	WED	Western Economic Diversification
GATT	General Agreement on Tariffs and Trade	WTO	World Trade Organization
GDP	gross domestic product		
GNP	gross national product		
HRDC	Human Resources Development Canada		



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