NOVA SCOTIA
EXPORT NEWS

Puerto Rico Consulate Opens

The day the new Canadian Consulate and Trade Mission began operations in San Juan, Puerto Rico, was Sept. 18—the same day that the devastating Hurricane Hugo hit the island. Needless to say, not much business was done that day or for a couple of weeks thereafter.

This bleak beginning, however, was not a permanent damper on the spirit of either the Canadian Trade Office or of Puerto Rico, a Caribbean hive of economic activity, which quickly got down to the business of rebuilding.

The rebuilding itself, which is still going on, is a matter of interest to Canada and the Maritimes, which are a prime source of building materials for Puerto Rico. Indeed the whole Puerto Rican economy is a good market for Canadian and Atlantic Canadian goods, and could be more so, says Trade Commissioner and Consul Jim Bradford.

He points out that Canadian exports to the island were $250 million in 1988, of which about $40 million came from Atlantic Canada—mostly forest products and foodstuffs. "This makes Puerto Rico a larger market for Canadian goods than some European and Latin American countries," he says. Also, he adds, there still exists a remnant of the old Maritimes-Caribbean trade link which could be strengthened. Salt fish in the stores, identified as Canadian, is the chief reminder of that.

Puerto Rico, a 100 mile by 40 mile island in the Greater Antilles chain which also includes Cuba and

Continued on page 3 ...

Cutting the ribbon at the offical opening of the new Puerto Rican Consulate and Trade Mission, February 2, 1990, are (left to right) Douglas Ditto, Acting Consul General of Canada in Atlanta; the Hon. John Crosbie, Minister of International Trade; and Mr Jim Bradford, Trade Commissioner and Consul in San Juan, Puerto Rico.

Persistence Pays in the U.S.S.R.

Nova Scotia business people like Peter Allen are finding the key to dealing with Moscow is to be persistent, be prepared for the unexpected and become attuned to the differences in the Soviet system.

Allen is president of Thermo Dynamics Ltd., a Dartmouth firm which uses a patented process to make copper and aluminum fins for solar heating collector panels. Allen confirmed, at a Swedish solar thermal energy

Continued on page 2 ...

... USSR

Cont. from page 1.

conference in September 1988, that the Soviets share some of the same technology and could be a major market for his components.

Allen, also a mechanical engineering professor at the Technical University of Nova Scotia, met some scientists from Moscow and planned to visit their research institute that spring. It was all set for March. Later it was moved to July. Then, days before Allen's flight, he found his contacts would be out of the city on summer holidays.

Nova Scotia business people like Peter Allen are finding the key to dealing with Moscow is to be persistent, be prepared for the unexpected and become attuned to the differences in the Soviet system.

Allen went anyway, lucking out with one Moscow meeting—at 4 p.m. on a Friday afternoon. Somewhat stoical now, Allen says there's "absolutely nothing" to do about unkept appointments. "Over there, everything is centralized but nobody really is the boss. There are no managers there."

Allen's Moscow visit was part of an 11-country marketing trip in Europe and Scandinavia. In six weeks, he met about 200 people and drove 8,000 kilometres in a rented Renault. It cost him $24,000.

A follow-up Soviet visit to Thermo Dynamics also was cancelled at the last minute, after three months of travel arrangements. The workings of the system could no doubt frustrate an entrepreneur. "It's like trying to drive your car around with a 20-ton trailer behind you," Allen says.

For future visits, Allen will focus more on definite details. He's going to insist on a better itinerary and clearer Soviet objectives. Allen is willing to tote over some samples as long as he is able to take his products into Soviet factories where technicians can actually test them out.

Before visiting the Soviet Union, Allen read a couple of books a week to learn about Soviet politics, history and outlook. Having an awareness of the other country helps to build a rapport, he says. Making that effort is a way of separating himself from the other less informed business people from the West. And still expecting to host the Soviets here, Allen has spent $38 to buy a Soviet flag.

Update

During January, Allen was invited to visit Moscow and Baku (capital of the Azerbigan Republic) and informed of a February visit from the Soviets. Since the flare-up of ethnic violence in Baku resulted in the city being closed to foreigners, Allen was planning to restrict his visit to Moscow. Then the lack of details from his Soviet contacts forced a postponement of his trip. However, the Soviets did visit Nova Scotia in February.

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After 10 trips to Moscow, several weeks at a time, Ingo Koch also grasps how the Soviet approach differs. Koch is hotel project manager for I.M.P. Group Ltd., Halifax, and is working on a 50/50 joint venture with Aeroflot to finish and run the Aerostar Hotel. The first phase of the 400-room, Western-standard hotel is scheduled to open in the fall of 1990.

There are two different systems and two different philosophies, Koch says, and to agree on a common view is understandably difficult. The Soviet system, he says, is "unbelievable" in its complexity, time demands and rigid structure. "It is very difficult to penetrate the bureaucracy there with our Western common sense ideas and simplicity."

Continued on page 3 ...

Step-by-Step Guide to Creating a USSR Joint Venture.

Speaking at a "roundtable" discussion on Reforms to Soviet Trade and Economic Laws, Sergei Ryabikov of the USSR's Ministry of Foreign Economic Relations outlined general steps in creating a USSR joint venture.

Initial stage—Parties get to know each other and work on negotiating documents. "It's the way in which the technical basis is set up that leads to success."

Decision to go ahead—Parties themselves can make the decision—now with the USSR partner getting the approval of a legal association, rather than a Ministry.

Signing of documents—After making the decision, parties sign documents for forwarding to Ministry of Finance, which has the mandate or power to refuse.

Ministry of Finance—Primarily reviews documents to see that the joint venture complies with Soviet law.

Registration as legal person—If there are no objections by the Ministry of Finance, the joint venture is registered and becomes a "legal person" according to Soviet law.

... *Puerto Rico*
Cont. from page 1.

Hispaniola, is a "territory" of the U.S.. As such it is fully a part of the U.S. economy, with no customs barriers. The reopening of a Puerto Rico consulate and trade mission (one existed for about ten years until 1978) is part of the Canadian government's expanded U.S. presence to take advantage of free trade.

There's room for more imports from Atlantic Canada, says Bradford, in particular food products which can be sold to a half dozen supermarket chains.

A special U.S. government program of tax breaks and other benefits for industry over the past 25 years has led to hundreds of companies—mostly in pharmaceutical, electrical, electronic, textile, clothing and footwear sectors—settling in Puerto Rico. In addition to being a market of three and a half million people with high incomes by Caribbean standards, there is an industrial market. "It's not just the local market," says Bradford. "Puerto Rico trades with the world."

What it imports from Canada is mainly agricultural and fisheries products, pulp and paper, building materials, furniture, auto parts, electronics and communications equipment, and chemicals. Salt fish is the most readily identifiable Nova Scotia product, although frozen and canned fish is also imported through regular channels. Bradford says he is working to have importers establish direct links for purchases of Canadian fish rather than going through American intermediaries. French fries and other agricultural products, as well as Christmas trees, are also particularly Maritime—mostly from New Brunswick.

There's room for more imports from Atlantic Canada, says Bradford, in particular food products which can be sold to a half dozen supermarket chains. Indeed, for anyone interested in food exports to Puerto Rico the Food and Food Service Equipment Trade Show coming up in April in San Juan would be useful. Bradford says one of his projects is to arrange a trip to Canada for members of the island's Supermarket Owners and Operators Association to seek new sources of supply.

Also, a considerable amount of building supplies and hardware is imported from Canada, and there's room for more of that too, says Bradford.

He adds that "there are lots of trade shows" in San Juan and advises that for new or would-be exporters this might be the most fruitful place to start.

As far as consumer products are concerned, "what I advise companies is to make sure that their prices are competitive. This is a very price-sensitive market." As for the industrial market, there are openings for specialized commercial equipment, he says, especially in pharmaceuticals.

Any talk of Maritimes-Caribbean trade necessarily raises the subject of transportation, lack of which has been a frequent complaint in the Maritimes, where some lament the passing of the golden age of Maritime-Caribbean trade of a century ago. Transportation has been improving, however, although it is still far from ideal, especially out of Nova Scotia. There is a five days a week direct container service to San Juan by the Irving-owned Kent Line out of Saint John, plus less-frequent indirect service out of Halifax by the Puerto Rican line Navieras. Bradford points out that there's direct air freight service out of Montreal and Toronto that might be of value for Nova Scotian exporters shipping lightweight products.

Anyone wishing to get further acquainted with the Puerto Rican market can do so by contacting the International Trade Centre (426-7040). Those wishing to contact the San Juan consulate directly can write: Canadian Trade Commission, Plaza Scotiabank, 6th Floor, 273 Ponce de Leon Ave, Hato Rey, Puerto Rico 00917, or phone 809-250-0367 or Fax 809-250-0369.

—Ralph Surette

... *Persistance Pays in the USSR*
Continued from page 2.

It can be a challenge, Koch says, just to find the right contact person at the right level. Protocol is very much the rule. Observes Koch: "I am not the president of the company so I would not speak to the head of an organization."

In Canada, it might take only a phone call to resolve some detail or other. In Moscow, the same matter could be a major undertaking. Koch says it's not possible to carry out conventional banking on a daily basis. However, the Soviets are consulting with Western businesses to help remove such stumbling blocks.

North Americans can hire the needed expertise in some cases. I.M.P. has a Soviet architect and translators to ease the way through its project. The firm also retains an American lawyer living in Moscow who specializes in joint ventures. I.M.P. can call on lawyers in Paris and Toronto. "If you speak to the right people," Koch says, "you get educated quite fast."

The Soviets are learning too. At first, Koch recalls, he could contact any hotel manager and get all kinds of information on occupancy levels and room rates. Now they're more likely to tell Koch he's a competitor.

Update

The IMP Group has been awarded a $600 million contract to construct 20 airline hangars in the Soviet Union.

—Brent King

Marketplace

Marketplace, the annual event at which local companies meet one-on-one with Canadian trade commissioners stationed around the world, this year attracted 117 Nova Scotia companies. The following reports provide a sample of the kind of information provided by the trade commissioners.

Australians offer "straight goods"

Nova Scotia companies that want to export Down Under can get the straight goods in Australia.

A fast but firm "No" to a business proposal is considered bad form in some foreign destinations, but Australians believe in being direct. And that fondness for forthright communication can translate into savings for potential exporters.

Nova Scotia companies that want to export Down Under can get the straight goods in Australia.

"You can waste a lot of time being held up by prospective buyers in some countries where it's impolite to outright turn you down," says trade commissioner Jessie Hislop.

"But Australians will tell you straight out 'Not interested, mate,' if they think they have something else that does the job, or is cheaper."

That straightforwardness makes for a fasted-paced market place, and some Canadian exporters may find the negotiating pace a little too speedy. But Hislop says both Australia and New Zealand offer a "small but quite hospitable" market, particularly for those Nova Scotia firms that have gained export experience in U.S. markets

Argentinian firms need technology

Two-way trade is on the rise between Canada and Argentina, as that country struggles to rise out of a very deep recession. Exports between the countries have increased from approximately $100 million two years ago to $150-160 million this year, and the new Argentinian government and private sector have launched an aggressive drive to tighten up trade links.

Denis Thibault, Canada's Trade Commissioner at Canadian Embassy in Buenos Aires, says the government wants to start balancing its books and industrial privatization is the key strategy in this gameplan.

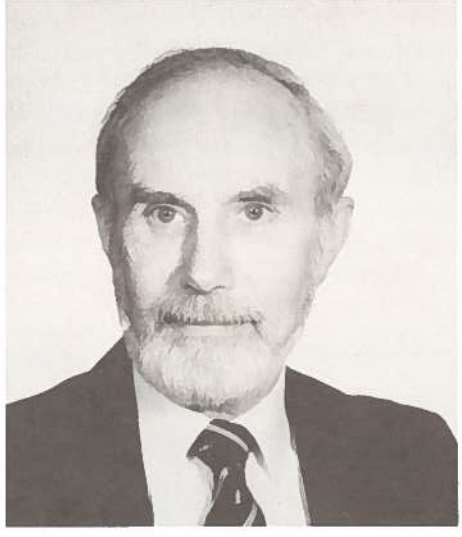
"Today, if most Argentinian companies were told to go out and try to compete internationally, they'd get killed," says the commissioner. What this means for Canadian exporters is that a vast array of Argentinian firms are in serious need of the kind of marketing know-how and technology that will allow them to be internationally competitive.

Several Nova Scotia firms have recently expressed interest in joint ventures or technology transfer deals. Thibeault says firms have the opportunity to get involved in a variety of business relationships, from straight equipment sales to significant capital investments.

"Right now we have projects with Canadian investments in the $60 million range. But there's a market for anything that is new technology, anything that can upgrade Argentinian industries," says Thibault. Strong export potential also exists for equipment, services and technology for natural resource development, specifically in the fishing, forestry and mining sectors.

Chicago fish market can be opened up

Maritime exporters who venture down to the Midwest States may discover an eclectic array of market opportunities. They may also find kindred spirits. George Phillips, Canada's Consul and Trade Commissioner in Chicago, says businessmen in the Midwest have a lot in common with their Maritime counterparts.



George Phillips, Canada's Consul and Trade Commissioner in Chicago

"There's not the same cut-and-thrust as you find in the East Coast States," says Phillips, who last year assumed the Chicago post which covers Illinois, Missouri, Wisconsin as well as five counties in Indiana.

"They have a sort of a gentler, laid-back approach, yet they are every bit as good businesspeople as on the East Coast."

Demand exists for a wide range of goods and services, from steel castings, wool products and pleasure crafts to fibre optics, computers and soft-

ware. The Midwest market for computers, software and systems is now estimated at $9.5 billion, of which imports account for $1 billion. Canadian exports to this market already total more than $120 million, and the 1989 U.S. Industrial Outlook forecasts that laptop computers will be a potential new market niche.

The Midwest is also a natural market for many resource sector exports, and Mr. Phillips says *some focus should be placed on developing a direct trade link for our fish products.* The Chicago market is now mainly supplied through Boston, which in turn receives shipments from the Maritimes.

Canadian officials in the Chicago post are working with U.S. distributors to identify interest in Canadian products, and interested in finding Canadian companies which can directly feed that demand.

Spain is the Japan of Western Europe

The Spanish are hooked on seafood. Thomas Cullen, Canadian Trade Commissioner in Barcelona, says Spain is the "Japan of Western Europe" as far as fish is concerned and Nova Scotia exporters would be wise to feed that market.

"It's more than a billion dollar market as far as fish is concerned. And we haven't even got a whisker of it yet," says Cullen.

The economic figures suggest this is a market worth cultivating: Spain has experienced steady growth since the country joined the European Community in 1976, and the country now enjoys the fastest growing economy in Western Europe.

In Madrid, the highest priced dishes are always fish and seafood and the affluent Spanish consumer is willing to pay a good price for the favoured species. The trade commissioner says Canadian companies should invest the time and money required to get "intimately familiar" with market, and to start skillfully promoting their product.

PEMD Assistance Expanded

The Program for Export Market Development (PEMD) has been expanded to allow for more flexible assistance to Canadian exporters.

A number of major amendments, which came about as a result of identification of the needs of Canadian manufacturers, processors and service companies, have been made to the program's terms and conditions.

The special activities segment, which previously applied only to agriculture, fish and food industry associations, is now extended to non-profit trade associations in all industry sectors. The special activities segment provides financial assistance to enable associations to undertake a variety of export initiatives on behalf of their members.

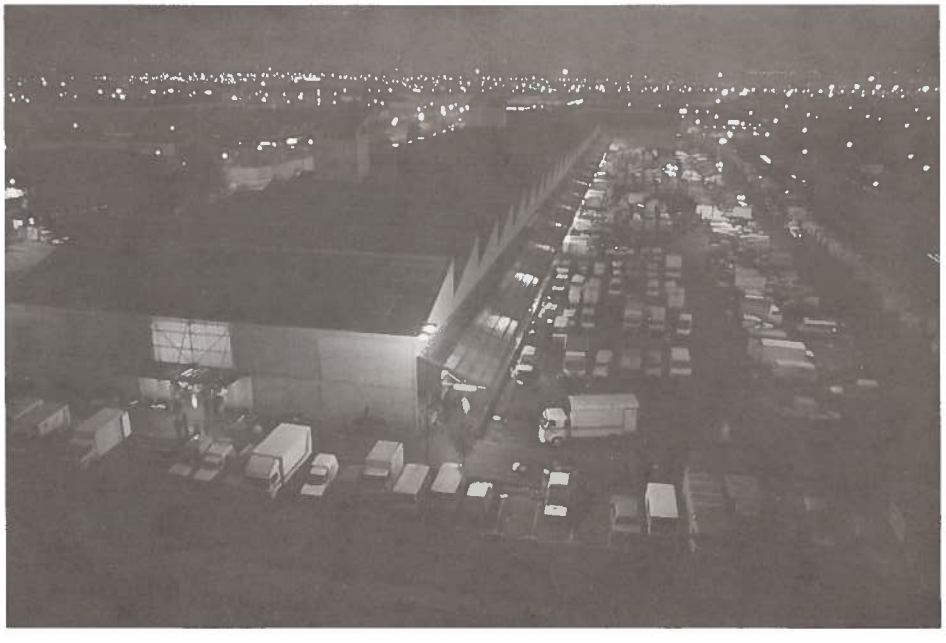
A discretionary fund has been established to allow the government to respond to private industry's creativity in marketing initiatives. This fund will allow consideration of PEMD support for marketing activities which do not fall in the traditional categories.

It will now be possible to financially assist firms who wish to invite foreign sales agents to Canada for training. The contribution will be in the form of return economy air fare as provided for in the industry initiated fairs and visits segment of the program.

Financial assistance for the establishment of permanent sales offices abroad is now available for locations in the United States as those outside North America.

Sections six and seven of the Legal Agreement are amended with changes to the Reporting/Repayment period. Visits and Trade Fair projects approved after November 1, 1989 will now require two reports over 24 months instead of four reports over 48 months. The percentage of sales used to calculate repayment will be three per cent.

New forms and handbooks incorporating these amendments are now available from the International Trade Centre, 5th Floor, Central Trust Building, Phone (904) 426-7540.



The main fish market at Mercabarna, in the port of Madrid.

Players Scramble for Position for Europe 1992

Scrambling—that's the word trade experts and insiders use to describe how aggressive international competitors are reacting to the prospects of a unified European market. And there's a similar ring of urgency in the advice they offer Nova Scotia companies eyeing international markets: if you want to make your mark, move now.

"There isn't another word for it. Scrambling is what all the players, and would-be players, are doing," says Graham Day, the Nova Scotia native who now serves as Chairman of Cadbury Schweppes and Rover Group Holdings in London. The targeted date for achieving a single European market is 1992, and the serious players are already "scrambling for position, scrambling to acquire brands, market share and facilities ...scrambling to seize opportunities that are likely to arise but once."

Regardless of whether a firm is focusing on Europe or targeting other export destinations, there's a lesson to be learned by watching the big players scramble. The European Commission's perspective on 1992 and beyond is based on global industrial competitiveness, and marketplace pressures are motivating many companies to follow the two-edged strategy of improving their home base and extending their global presence. "The strategy is global. The tactics are regional," says Sir Graham.

By his own accounting, John Risley has "probably lost more money in Europe than any other Atlantic Canadian" in recent memory. The losses have also carried lessons, and the president of Bedford-based Clearwater Fine Foods Inc. believes Nova Scotia firms must invest in a market presence on the continent if they hope to reap benefits from a single European market.

"You cannot expect to look seriously at Europe 1992 from an office here in Canada. You have to be an insider," says Risley, "and that requires getting close to your customer and finding ways to add value." Information is a vital part of building up business in a foreign market, and the firm has purchased a distribution business on mainland Europe in an effort to boost communication links and to get closer to their end-users.

Peter Tye, president of PDAS Associates in Moncton, feels the need exists among regional companies for a new focus on distribution. "We in Atlantic Canada are woefully unsophisticated and unenlightened in the management of this vital support function," says Tye, whose firm is familiar with export opportunities along the U.S.-North East corridor. Logistics should be part of a business's overall strategic planning and Tye says companies should know their customer and marketplace, refine their strategic marketing structure, and use the best tools available—from in-house technology to logistical partnerships—before they start scrambling for new export markets.

Clearwater president John Risley is well aware that sharper tools will now be needed to tackle the new European market, particularly since standardization of EC businesses will close some "back doors" his company used to get into Europe. "Those doors are going to be closed now, and we'll need to be extremely involved in the process to ensure we can protect our core business," says Risley. An offensive marketing position demands a personalized relationship and regular communication, and the Clearwater president recommends Nova Scotia firms undertake initial marketing efforts in concert with a local agent or representative who is very familiar with the foreign market.

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Peter Crombie agrees that a hands-on approach is often essential. The days of the "carpet bag salesman" are long gone, says the executive vice-president and chief financial officer of SHL Systemshouse Inc. in Ottawa. European customers, in particular, expect a local presence. "We have to be willing to create European subsidiaries managed by resident nationals. We have to operate in the local language," says Crombie, who suggested the establishment of joint-ventures and increased partnering as a starting position.

—Joanne Napier

Exportable Services are the Object of Study

"Anything Nova Scotia firms do well can be exported as a service."

—Dr. D. Riddle

Nova Scotia firms can benefit from the growing world-wide demand in services. Traditionally export opportunities have focussed on goods. Yet Dr. Dorothy Riddle, a world expert on services trade and currently Visiting Professor at the Centre for International Business Studies at Dalhousie University, stresses that services play the dominant role in all economies.

Even in the NIC's [newly industrialized countries] in the Pacific region services represent more than half the GDP [gross domestic product].

Services sectors are growing faster than manufacturing sectors and are creating more jobs at all skill levels. According to Dr. Riddle, every dollar of goods exported requires 75¢ of services—including 39¢ of high, value-added services purchased by the manufacturer from suppliers. For example, economic activity in the fishing industry comes not so much from fishing itself as from packaging, advertising, distribution, storage, etc. "Manufacturers world-wide are buying services from somebody. Why not from from Nova Scotia firms?" Existing Nova Scotia services exports include consulting engineering by Nova Port to the Caribbean and management consulting by Collins Barrow to New England. Nova Scotia legal firms sell services to American firms moving into Nova Scotia. Other businesses services available are accounting, data processing, training and health services.

Nova Scotia could also export such services as expertise in managing the ocean environment or benefit from Canada's reputation for architectural and other services related to downtown historic renovation, sports facilities, hospitals and extended care units. Services exports can be delivered on-site to foreign trading partners, but also to foreign firms doing business in Nova Scotia. MacLaren Plansearch uses satellite and computer links to gather and distribute weather data internationally.

Goods producers also have services to export. Fishing, forestry and mining companies are well-positioned to export their resource management expertise to developing countries.

Nova Scotia's major services markets are currently New England and the Caribbean. Dr. Riddle advises firms to explore the competitive European market and rapidly expanding markets in Asia. She suggests that trade information systems such as WIN need to be expanded to include the full range of services available for export.

Under the Free Trade Agreement Nova Scotia firms can assist foreign firms interested in the province as an entré point for the American market.

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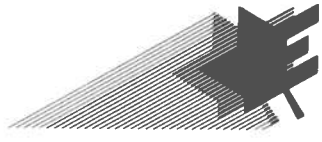
Among obstacles to exporting services, Dr. Riddle lists the practice of foreign firms based in the province to contract out services through their head offices. She is currently doing research on ways to convince head offices to use Nova Scotia suppliers. Part of the answer, she says is to convince them that Nova Scotia firms can produce higher quality work more efficiently and at lower cost than foreign-based competitors.

A problem that may become increasingly serious is the comparatively low quality of Nova Scotia's communications system. Firms outside the Halifax area do not currently have access to the high-speed, quality transmission necessary for international competition.

—Eric Husvedt



Trade Fairs & Missions

April—September, 1990

Apr. 90 ..... Solo Food Shows (series) Tokyo
Apr. 4/90 ..... Medicine 90, Istanbul, Turkey
Apr. 90 ..... Fishery Equipment and Services Mission to Morocco, Tunisia
Apr. 90 ..... Ceramic Expo—Indianapolis
Apr. 90 ..... Comdex Spring Computer Show—Atlanta
Apr. 90 ..... Good Living Show—Tokyo
Apr. 90 ..... New York Metro Food Show (Hotel/Restaurant)
Apr. 90 ..... Industrial Trade Fair, San Juan, Puerto Rico
Apr. 16/90 ..... Supercomm—Atlanta (Fibre optic Systems, Cellular)
Apr. 90 ..... Solo Food Fair, Minneapolis
Apr. 21/90 ..... Food and Food Services Equipment Trade Show, San Juan, Puerto Rico
Apr. 24/90 ..... Seoul Food Show—Seoul, Korea
May 28/90 ..... Intermedica, Paris
May 9/90 ..... Expo Med, Brussels, Belgium
May 90 ..... Food & Hotel—Asia Trade Fair—Singapore
May 90 ..... Seafood and Ocean Products mission from France
May 90 ..... Defence Industrial Cooperation Mission from France
May 90 ..... National Restaurant Association Show—France
May 90 ..... 50th Annual Fishing Fair, Ancona, Italy
May 90 ..... Fishing Buyers Mission to Atlantic Canada from United Kingdom
May 90 ..... Solo Food Fair—Detroit
May 90 ..... Softwood Lumber Mission to United Kingdom
May 90 ..... Manufactured Wood Products Mission to Japan
May 90 ..... Offshore Technology Conference—OTC 90, Houston, Texas
May 90 ..... Christmas Merchandise Fair—New Zealand

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