

# canada 1979 commerce

June/July

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Franchise and flourish?



## Export Canada '79 Drive to U.S. markets

Reports from Tokyo, Rome . . .

**Canada Commerce**

**June/July, 1979**

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**Content**

	<b>Page</b>
Report from San Francisco .....	2
Report from Philadelphia .....	5
Franchise and flourish? .....	8
Reassess the Japanese market .....	10
Canada Trade Centre in Japan .....	12
Canada-Italy Industrial co-operation .....	13
David Hall finds his man in — IRAQ .....	14
Mission to Central America and Panama .....	15
Don't lose sales, use BOSS! .....	16
Coast-to-coast intelligence network .....	17
Business information centres .....	18
CIDA launches new program .....	19

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# Export Canada '79 — the drive to U.S. markets

Pete Turner, The Image Bank of Canada



*"The time is now ripe for small and medium-sized Canadian manufacturing companies to take advantage of the export marketing opportunities existing in the United States," says Don Gilchrist, Chairman of Export Canada '79.*

*Mr. Gilchrist is the head of a small Industry, Trade and Commerce task force which has been investigating ways and means of increasing Canadian penetration into the United States. Emphasis is being placed on those firms that have not to date been export oriented or which could be encouraged to expand their current exporting activities.*

*"Canadian businessmen will be hearing a lot about Export Canada '79 over the next few months. For what has evolved from the task force is a co-ordinated, cohesive thrust to help them capitalize on well-researched sector and regional opportunities for export expansion.*

*"These opportunities have been identified through continent-wide consultation with Canada's U.S. trade commissioners and IT&C regional officers and industry sector officers. Provincial government trade officials have collaborated in this endeavour and will be invited to be involved in the implementation of the program," says Mr. Gilchrist.*

*The factors making the U.S. market particularly attractive at this time are: the favourable exchange rate of the Canadian dollar in relation to U.S. and to the foreign currencies of Canada's major competitors in this market; increased productivity and moderating wage demands in Canada; a combination of demand in the U.S. and excess production capacity in Canada.*

*Initially, participating businessmen will be able to attend workshop sessions to learn from experts about the United States market and how to penetrate it successfully. The workshops will cover such subjects as: size and structure of the market, local market peculiarities, customs documentation, role of a customs broker, U.S. laws and regulations, channels of distribution and pricing practices. Workshops covering these and other relevant topics are already being held across the country in centres large and small.*

*Following completion of the initial workshops, companies will be able to make use of the new information by participating, with government assistance, in a number of events and activities specifically chosen because they offer concrete opportunities to penetrate an identified market in the United States. Among the planned activities are: incoming buyers missions, outgoing missions, orientation and investigation trips, trade fairs, in-store promotions and special product shows. Where possible the events may be adjusted to best suit the needs and requirements of the participants so as to provide the most promising opportunity to penetrate the market.*

*Throughout the remainder of the year and into 1980, the Export Canada '79 program will be conducting several ongoing activities in the United States to assist in preparing that market. Plans include a seminar program in strategic cities to heighten the awareness of senior U.S. business executives of Canada as a secure, competitive source of finished products.*

*Businessmen can become involved in the program by contacting their regional IT&C office listed on the inside back cover.*

## Editorially speaking. . .

If, as most people do, you have already taken a quick flip through the magazine before returning to page 1 for more concentrated reading, you may have noticed a look somewhat different to the Canada Commerce of recent years. Well, you're quite right. First of all, the June/July date on the cover will have given the clue that we've gone from quarterly to bi-monthly (publishing six editions per year). The idea is that the Newsletter which you also receive will alternate with the magazine, to give readers a month-by-month comprehensive coverage of trade news.

It is our intention to pack six issues a year with material useful to the widest possible audience. The manufacturer who has no interest, because of the nature of his product, in exporting to Central America (page 15) for instance, may well be much inter-

ested in exploring the Japanese market (page 10). The businessman who is not able to use the services of CIDA (page 19) may find what he's looking for in BOSS (Business Opportunities Sourcing System, page 16).

And throughout this and the next five editions, will run the theme of Export Canada '79, the purpose of which is outlined above my head on this page. This concentrated drive to widen our markets in the United States has been given a Canada Commerce kick-off with the market area reports from San Francisco and Philadelphia on the following pages. The August/September issue will cover the Dallas and Los Angeles market areas.

It is also our intention to follow up on initial stories — we hope to explore further developments in the Canadian franchising business (page 8) in our next edition for instance, and to see how the BOSS program is working out by interviewing company

executives who have made use of the sourcing system. As well, we will carry various series of articles analyzing different aspects of trade negotiations, market areas and so on.

Don't look for striking colour photographs inside the magazine or particularly jazzy lay-outs. Do look for stories which are aimed at helping the Canadian businessman to help himself in expanding his operation or running a more profitable small one at home or in markets abroad.

See you in August/September!

A.H.

P.S. The postcard included in this issue will give the reader the opportunity to correct address errors — even to cancel the magazine! It also gives the opportunity for the reader to pass the issue along to a business colleague who does not now receive Canada Commerce and who might wish to do so in future.

## Report from San Francisco

by W.L. Clarke

Consul and Senior Trade Commissioner

# “The prospect for Canadian sales has never been better!”



*Uphill work for Canadian exporters prospecting in the West Coast U.S. market? Perhaps not as much as you might think, according to this report from Canada's senior trade commissioner in San Francisco. (San Francisco Visitors' Bureau photo)*

The Commercial Division of the Canadian Consulate General in San Francisco, like those throughout the world, is equipped to function as the liaison between Canadian and local business and industry. Our “territory”

is Northern California, Hawaii, Nevada (except Las Vegas), Utah, Colorado and Wyoming.

In addition to my position as Senior Trade Commissioner, the Commercial division is staffed with a trade commis-

sioner, an assistant trade commissioner, two commercial officers and a support staff of four.

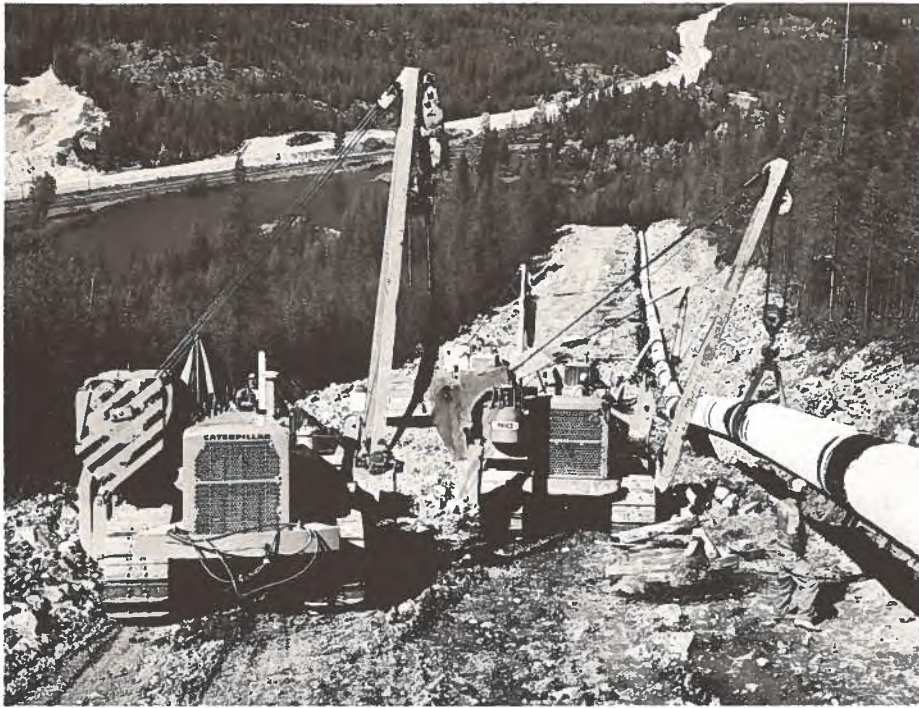
Our staff actively seeks business opportunities for Canada in the states covered and relays these findings to firms thought to be interested and capable. Potential buyers and sellers are introduced, with guidance to either as required. Market surveys of reasonable proportions are conducted on behalf of Canadian firms and the Canada Room of the Consulate General is available for product displays and in-office shows.

As might be expected, given the wide range of products and territory covered, the staff must of necessity plan its activities well in advance although as much flexibility as possible is built into our program to take advantage of new and developing opportunities.

Later on in this article we will look at this post's program for the current fiscal year, but first, let us examine the general trade and economic conditions of the area.

The environment for Canadians to do business in the San Francisco post territory is excellent — and the outlook for the next year and beyond supports continued optimism. The effects of the expected slow down in the national economy in 1979 are unlikely to be as significant in the west as in other regions of the U.S., and the underlying open attitude of the local business system to foreign trade and Canada/U.S. links will continue to offer excellent opportunities to Canadian enterprise.

The economy of the state of California, which has been experiencing near-boom conditions, is likely to slow down to a more moderate pace in mid-1979. Real growth is expected to fall off to 3.7 per cent compared with the 4 - 6 per cent rates of recent years. At the same time inflation is expected to moderate somewhat to 6 per cent vis-a-vis 8 per cent in 1978. As a result, unemployment can be expected to remain higher than the national average, perhaps approaching 9 per cent. (The state's in-migration of nearly 250,000 people yearly contributes to its typically high unemployment level). Economic forecasters continue to disagree about the effects of the tax-



firms realize the competitiveness of Canadian exports and Canadian firms take advantage of the cheap dollar.

For the Canadian businessman looking to do business in the western states, there are a number of points which should be kept in mind. Some of these are: business customs, standards (these differ from state to state), delivery schedules, price, and sales psychology. All these are covered in a new series of pamphlets produced by IT&C called "Markets for Canadian Exporters" available from your nearest Regional Office. The San Francisco area is covered in the West Coast States edition.

#### Post Program

Enquiries to this office are up significantly and we expect exports to the territory will continue to increase, subject only to availability of products from Canada.

In tune with this strongly favourable environment for Canadian business the post is gearing-up for increased sales efforts, placing greater emphasis on high technology and defence products, building materials, automotive products, industrial chemicals, and machinery for the resource and packaging industries, and sustaining active programs in certain agricultural and consumer products and selected types



slashing Proposition 13. Most agree, however, that the aerospace and related electronics industry, agribusiness, and the service industries will provide a stimulus which will prevent any recession. In addition, consumer spending should increase as a result of the tax cuts. California businessmen are also encouraged by an apparently increasing pro-growth, pro-business attitude in the state capital. The well-being of California will also continue to have a spill-over effect on its neighbour state of Nevada, where a strong tourism trade and construction industry growth will continue at near-boom rates. In addition, the growth in the warehousing business in Nevada should make a significant contribution to prosperous business conditions in that State, a small but relatively easily accessible market for Canadian exporters.

Colorado continued to experience strong growth through 1978 based on its extensive energy resources and an attractive quality of life which draws talent and investment from other parts of the country. The outlook for 1979, while still good, is expected to reflect national conditions with real personal income growth slowing from 5 to 3 per cent, unemployment to increase slightly to 5.2 per cent and housing starts to moderate. The neighbouring states of Utah and Wyoming are expecting similar although slightly more favourable

conditions. Utah's population will continue to grow at 3 per cent, one of the fastest rates in the country, yet unemployment is not expected to be a problem as jobs will continue to increase at a 5 per cent rate. The economic outlook for Hawaii remains good, although economic activity will be slightly lower than that of its neighbouring mainland states. Because of the large Canadian tourist presence in Hawaii, there is a "built-in" preference for Canadian products in that state, particularly for consumer goods.

According to available trade statistics Canadian exports to the six states in our territory have grown to \$1.8 billion, up 22 per cent from 1977 (additional exports to the territory show up as exports to border states). Leading items are natural gas, newsprint, softwood lumber, auto parts, non-ferrous metals, telecommunications equipment, food products, and the ever-present Canadian Whisky. This year, however, some changes are occurring in the mix of products, due to the increased competitiveness of Canadian manufactured goods, partly as a result of exchange rate changes. Also, efforts are underway by the San Francisco utility, Pacific Gas and Electric, to obtain additional Canadian natural gas and increased pipeline capacity to deliver it. The effects of the devalued Canadian dollar are increasingly noted as U.S.

of transportation equipment. Renewed opportunities for stimulating increased industrial development activity in Canada will receive more attention and the groundwork will be laid for a more advanced chemicals promotion program based on increased Alberta and Ontario supplies.

Over the last two years the strong growth and positive outlook within the territory have attracted substantial Canadian investment, particularly in commercial real estate. Many of these development projects are now becoming physically apparent, substantially increasing Canadian visibility in the territory. The post is aware of at least a dozen Canadian-sponsored development projects valued at more than \$300 million which are now underway in the territory, and additional major developments, such as a complex which will take up an entire block in San Francisco's financial district, are in the planning stage.

Trade development efforts will increasingly emphasize the state of

Colorado and the San José region of California (within the bounds of limited post resources). A full range of trade development techniques will be employed to increase the volume of Canadian exports and results-oriented programs will place emphasis on working with proven Canadian companies and those supported by IT&C regional offices and provincial industry departments. Co-operative promotions undertaken with the provinces will characterize many of the notable events of the forthcoming year.

The post has begun to develop contacts and identify valid third country projects which are being considered by international engineering and construction interests headquartered in the San Francisco area and to a lesser extent Denver and Honolulu. Major activities this year will include working closely on requirements for projects in the Middle East with engineering contractors such as the Bechtel Corporation and Korean-based Hyundai Construction which does its North American

purchasing through its San Francisco office. There is a trend towards risk sharing in this type of project and thus an increasing opportunity for Canadian government and company participation.

Finally, IT&C's export drive to the U.S.A. is expected to result in a number of major promotional projects in our territory during the balance of 1979. In this regard we plan to hold special promotions for automotive equipment, office furniture, oil and gas field equipment and services, building products and packaging and labelling machinery. Canadian businessmen interested in the West Coast U.S.A. market are invited to contact us at the earliest opportunity — the prospects for Canadian sales have never been better!

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## Exporter's Checklist

Export marketing can be complex but the challenge can be met by proper preparation and by organizing the activities into manageable steps. Here are some helpful steps:

- Decide on an export philosophy.
- Determine resources available (manpower, financing) now and in future.
- Be sure strategy includes continuity of effort.
- Price in U.S. dollars.
- Explore shipping alternatives and costs — quote CIF.
- Contact regional offices of provincial and federal governments, banks, shipping agencies and customs brokers that can provide basic information.
- Explore market access — legislative and regulatory ground rules, e.g., tariffs, labelling, standards.
- Do complete marketing survey.
- Look to possible warehousing facilities.
- Plan adequate product support.
- Provide continuity by:

Writing  
Visiting  
Following Up

## Preparing for Trade Shows

### Don't forget:

- Preliminary investigation of, and visit to, the marketplace.
- Appointment of representatives or distributors for territory coverage.
- Presentation of product, literature and U.S. price lists.
- *Follow-up* of leads generated and contacts made.
- Commitment of time and resources to market development.



## Report from Philadelphia

by W.G. Pybus

Consul and Senior Trade Commissioner

# Take a new look at marketing in the Mid-Atlantic states

**“...with intensified Canadian export efforts  
it should be possible for Canada to achieve a growing share  
of this massive market.” Why not. . .**

The mature core of the Eastern Seaboard's urban and industrial complex, located in the Mid-Atlantic states, continues at a high level of economic activity. This important area of the U.S. economy mirrors this country's overall adjustment to changing global economic realities. Despite increasing pressures of inflation and energy problems, the market for most Canadian exporters to this region, assisted by favourable exchange rates throughout the past year, remained strong. The outlook for the remainder of 1979 is clouded by potential easing of activity as a result of measures designed to reduce the level of inflation and related problems. However, with intensified Canadian export efforts, it should be possible for Canada to achieve a growing share of this massive market.

It is important to recognize that a significant proportion of the industrial facilities located in the Mid-Atlantic states are in need of updating in order to remain competitive. In some instances traditional industries such as clothing, textiles and segments of electronics have shifted out towards the southern and western states. Strong efforts are being made both by governments and industry to improve existing viable operations and to encourage new investments. As a result, alert Canadians are presented with opportunities to provide capital equipment, components and industrial materials as well as joint licensing operations.

In meeting the challenges of a changing marketing scene in its territory of responsibility, the Canadian Consulate at Philadelphia has been

Jules Zalon, The Image Bank of Canada



restructured to bring major focus on trade and industrial development programs. Each officer of the Consulate now has been assigned to specific commodity sectors as well as being responsible for one of the geographical regions within the five states covered by the office. Canadian exporters will continue to have available expert advice in developing export marketing programs for their individual products in the areas as a whole. Programs for increasing the awareness of Canadian capabilities in each of the states are being developed in close co-operation with the Canadian business community. In this broader aspect of activities, the Philadelphia office sees its role principally as giving direction to trade, tourism and industrial development and acting as a catalyst in bringing together those who can and should do the business on both sides of the border.

## Industry Sectors

### Defence

The military-industrial complex located in the Mid-Atlantic states presents a large and diversified market for Canadian products and expertise. The U.S. Navy has three commands — Sea Systems, Air Systems and Electronics — located in Washington, D.C., that are responsible for development of major systems. Canadian firms with a significant technological base have won contracts for subsystems of major programs such as the helicopter haul-down system, submarine anomaly detection and sonobuoys. Both developmental and production opportunities are available to capable, competitive firms.

The Defence Logistics Agency, which buys items that are common to all forces, operates four of its six supply centers from two locations in Philadelphia, Pennsylvania, and two in Virginia at Richmond and Alexandria. These four centers buy industrial, medical, fuel and general supplies valued at more than \$5 billion. Canadian firms are free to compete on \$1.5 billion of this amount and a variety of firms are already supplying such diverse items as snowshoes, bearings, wire rope assemblies, sheet steel and plastic water cans.

Approximately 40 other military procurement centers are located throughout the five-state territory. They include regional procurement centers, stock control points, naval shipyards, NASA centers and test, development and research operations. The product variety called for is wide but Canadian

firms are, for example, successfully marketing valves, communication equipment, power supplies, transmissions, switches, altimeters and radio beacons.

The Mid-Atlantic is one of the top regions for sales of Canadian products under the Canada-U.S. Defence Production Sharing Agreement. Better than 70 per cent of the contracts from this region are directly with military agencies. Subcontracting also presents opportunities in the defence market. Several Canadian firms have won significant contracts for the supply of components to local firms building helicopters, ships and tanks. We believe there is a large but mostly untapped potential for subcontracts to other U.S. companies in the area, such as RCA, G.E., Westinghouse, IBM, Burroughs and to the many smaller companies winning major contracts from the U.S. Department of Defence.

Canadian firms wishing to sell to the defence industry need to recognize this sector as being unique but with the same basic sales requirements of other sectors. Price, quality and delivery are as important as ever but, without salesmanship and regular contact, the defence market is hard to penetrate. A marketing plan is important in this sector and some suggestions for formulating your plan can be obtained from discussions with the Trade Commissioner who is on the scene, the defence specialists located in Industry, Trade and Commerce in Ottawa, and with officers of the Canadian Commercial Corporation in Ottawa.

### **Resource-Based Products and Machinery Exports**

The Mid-Atlantic region of the United States is a densely populated, heavily industrialized area which consumes virtually every resource-based product and most types of machinery produced in Canada. The key to success in this market is based on one's ability to address the opportunities on a quasi-domestic basis. In other words, Canadian exporters should view this market in much the same manner as they would their own.

Most purchasing agents care little about the geo-political differences between the U.S. and Canada. They are

interested in product quality and dependability, price competitiveness and predictability of supply. It should also be remembered that the local buyers, while overlooking many differences between Canada and the U.S., expect the Canadian exporter to price his product in U.S. dollars including all applicable duties and related charges.

Traditional Canadian exporters of machinery and resource-based products such as lumber, steel, newsprint, forgings, farm machinery and industrial speciality equipment have long taken advantage of this active market which lies just south of Canada's central industrial core. Although exact statistics for the region covered by the Philadelphia Consulate are not available, a rough estimate would show our exports of resource-based products and machinery to be approximately 1.5 billion Canadian dollars annually.

Although resource-based exports account for most of the \$1.5 billion, machinery exports to this area increased by more than 50 per cent (in dollar terms) in 1978 over the previous year. This is an encouraging increase even when increases caused by currency devaluation and inflation are taken into account.

### **Consumer Products**

Consumer buying trends continue strong and retail construction and renovations in the Mid-Atlantic territory support an optimistic outlook for consumer sales.

### **Furniture**

Excellent growth is forecast for the office and contract furniture sales in the Mid-Atlantic due to economic recovery, replacement and new construction of office space, public facilities and hospitals. The market is well developed for sales representation, warehousing and distribution of office products.

The Consulate supports Canadian manufacturers through the identification of sales representation and wholesalers and through sponsorship of solo Canadian contract furniture shows. Mailing lists and personal contact are ongoing among architects, designers and specifiers in the region. The Consulate recruits designer attendance for Canadian programs (i.e. Canexus).

The market focus for residential furniture continues to be High Point, North Carolina, although residential outlets are well established in the region.

### **Apparel and Footwear**

The major apparel and footwear market is New York City where buying offices, national shows and showrooms are located. Canadian manufacturers calling on Mid-Atlantic buyers experience variable results based on their product design and pricing.

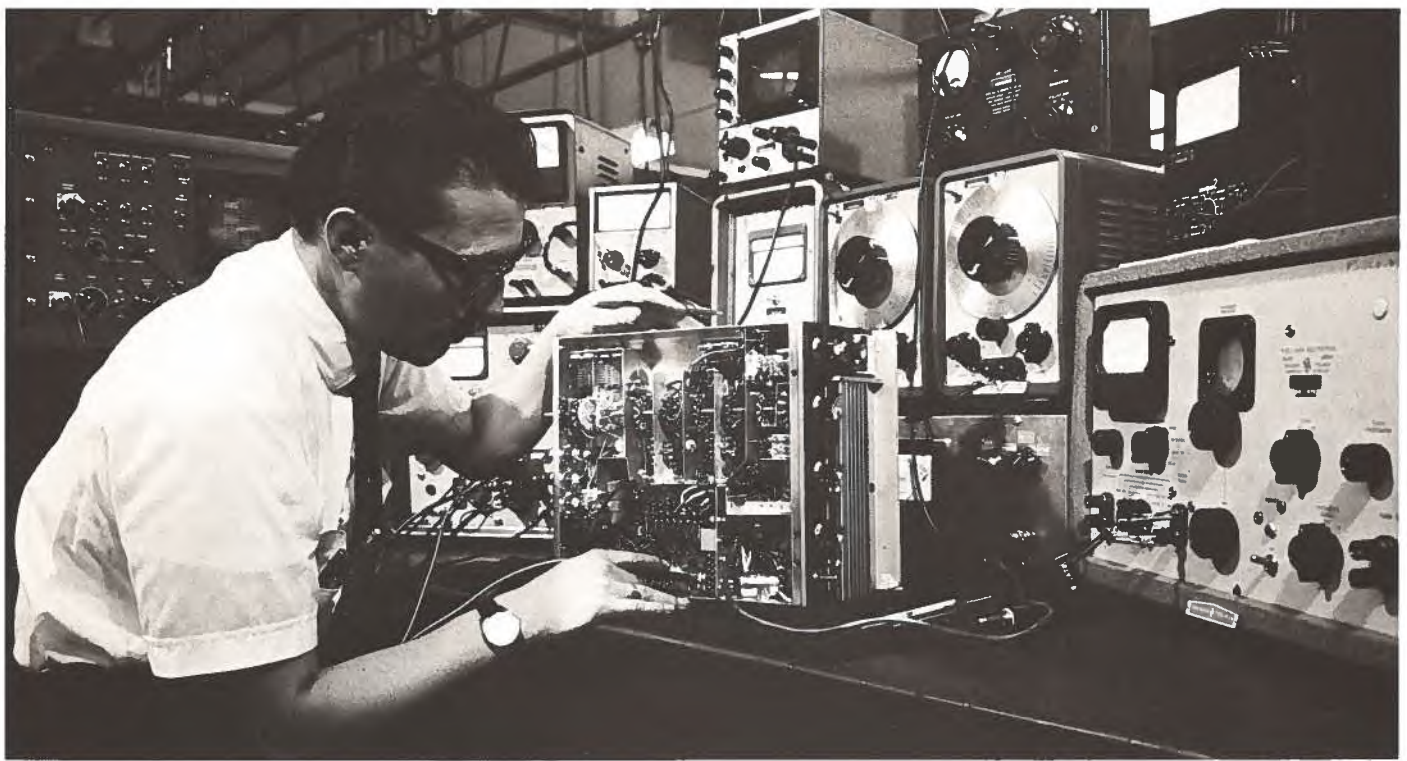
Assuming sales representation, contacts for small specialty stores can be made through participation in the Mid-Atlantic Fashion Marts and Couture Group Shows in Philadelphia, held five times annually. Representatives of fashion footwear and boots are recommended to participate in the Delaware Valley Shoe Markets for footwear market exposure.



In all cases, product, price and promotion are essential factors in market penetration. The Consulate supports suggestions from Canadian manufacturers for specific local buyer attendance at the Montreal Leather/Outerwear and Footwear Shows held annually.

### **Food, Agriculture, Fish**

The Mid-Atlantic represents a large but competitive market for grocery and specialty food products. It is essential that Canadian products be packaged, priced and promoted aggressively for specific markets — grocery, specialty, convenience and institutional.



The Consulate assists Canadian manufacturers in identifying brokers, distributors and markets for processed food products. Several large processors represent potential for raw ingredients.

Participation in the annual food and beverage reception provides Canadian manufacturers with contacts and exposure to the marketplace.

#### **Electrical and Electronics**

The market for electronic products and particularly components is active and competitive. Major firms like RCA, G.E. and Westinghouse are always interested in new suppliers but are very demanding. The hundreds of smaller firms in the industry are demanding but more inclined to work with a supplier. Quality, delivery, price and a continued supply are essential factors that must be combined with strong representation. Some Canadian firms are penetrating this area with sales personnel based out of Canada.

The electrical products sector has had little activity from Canadian exporters. A potential market may exist for those with products that can be utilized by the more than 15 power and telephone utilities in the region.

#### **Automotive**

The Mid-Atlantic represents an inviting target market for the Canadian automotive aftermarket manufacturer. It is located close to most Canadian producers and accounts for ten per cent of

the \$30 billion spent annually by the U.S. in this sector. Despite the advertising and glamour surrounding the original equipment market, the aftermarket represents a larger and more varied target. Manufacturers should visit the territory before adopting a firm market penetration strategy. Not only is the market growing, it is also rapidly changing. Two areas of change to be noted are increased sales of recreational vehicles, and an explosion of the do-it-yourself market.

The Canadian marketing effort in the Mid-Atlantic states is encouraged by the Consulate by assisting firms to participate in the Eastern Automotive Service Industries Show (The Big E), held in Atlantic City, New Jersey. The Big E, held every third year, is acclaimed to be one of the most successful shows of its kind. Attendance is in excess of 25,000 and this year's Canadian participants were enthusiastic about the show and prospects for sales in this market area. The Consulate also works with individual manufacturers to identify the best market strategy, distribution channel or representation method to suit the manufacturers' requirements.

#### **Transportation**

The transportation sector, particularly the urban transportation field, continues the high level of activity experienced in 1978. We estimate that almost \$500 million will be spent to procure

rolling stock for new and existing systems in the Mid-Atlantic area during 1978/79. One hundred million dollars of this will be spent during 1979 by the City of Philadelphia for purchase of 125 new subway cars. The heavy concentration of three railroad systems, four major urban transit authorities, Conrail and Amtrak headquartered in this area provides an exciting potential.

Canadian manufacturers' enthusiasm to participate in this market has been tempered by the recent enactment of Buy American legislation which has affected their marketing efforts. In our opinion, the current emphasis on urban transportation and the potential this field offers will continue to generate opportunities for non-domestic suppliers. At the present time, there is only one viable U.S. manufacturer, the Budd Company, and a recent influx of orders has taxed its ability to accept new business.

The Consulate in Philadelphia has developed an in-depth knowledge of the many local transportation authorities and their requirements. Interested manufacturers should take advantage of this knowledge by contacting the Consulate to discuss specifics of their own interests.

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# Franchise and flourish? It's a good thought

Recognising that franchising is of major importance to the Canadian economy, the Department of Industry, Trade and Commerce is offering assistance to interested businessmen through its Distribution Services Branch. Whether the interest lies in operating in an existing franchising chain or investigating a method of distribution for your product or service, the Branch is ready to help. Think about it.

The aspiring businessman looking for opportunities might well consider franchising — North America's fastest growing retail and distribution system.

But franchising is also an interesting and profitable consideration for the retailer or manufacturer of a top notch product or service which can be adapted for the mass market.

For the beginner, the initial investment gets an instant business backed by the strength of the franchisor. This strength might derive from the hundreds of outlets and multi-million dollar advertising budgets of an international giant or the impact of an aggressive local entrepreneur on his way to his first million dollars.

For the small manufacturer or the developer of a unique service, franchising offers a method of expanding without many of the financing and management headaches inherent in expansion.

To explore the market, Commerce visited two relatively new franchises in the Ottawa area, both outlets of Canadian franchisors expanding in both the domestic and international markets.

The first was Grandma Lee's which specializes in in-store bakery products and sandwiches. The two young franchisees, Ron Knowles and Bob Patterson, both economists, realized that to be successful in their first business adventure, they would require the type of assistance that is offered through franchising. After exploring the many franchises available, they chose Grandma Lee's as providing the best combination of product and service suitable to the area and to their capabilities.

Zeroing in on the By Ward market area, one of Ottawa's popular "in places," Ron and Bob were fortunate to find a vacant, former paint store which in terms of traffic, size and cost of renovations was an ideal location.

Because they both planned on keeping their full time jobs, they chose a product that required a minimum of expertise to produce, had a good turnover and would appeal to the young modern as well as the traditionalist. With the immense popularity of health foods, the special high protein breads produced on the premises by the Grandma Lee's formulas seemed a good bet.

(Grandma Lee's provides a complete equipment package designed and built in its own Canadian shops. The mixes themselves, supplied by Canadian mills, are based on special "high protein" Canadian wheats, stone ground to maintain their high quality and mixed according to the Grandma Lee formula.)

In addition to the formulas, special batch mixers and glass fronted in-store ovens, the franchisor supplied staff training, store layout and design, bulk purchasing, up-to-date book-keeping methods and follow-up supervision and monitoring.

According to Ron, the initial cost of a franchise such as theirs is approximately the same as that for a good quality home. While a good portion of this should come from savings or be backed by other assets, banks are more willing to lend money at a favorable rate to a franchisee backed by a reliable franchisor than to an individual setting up a business on his own.



For example, Grandma Lee's would be willing to buy back the equipment and supplies or to locate another buyer if for some reason the business does not pan out.

Our second franchisee, Dennis Poole, a thoroughly seasoned businessman, chose franchising as his entry into a second career. For 27 years, Dennis was a foreign service representative for the Canadian machinery giant, Massey-Ferguson, spending 15 years in Britain and 12 years in Malaysia. Closely allied to machinery by profession and experience, he chose a franchise in the automotive after-market. What he lacked in Canadian experience, he felt he made up in product knowledge and judgement.

Reddi-Rad Automotive Services Ltd. of Kitchener, Ont., impressed him as being a top notch manufacturer of automobile and small truck radiators and heater cores. In addition they were setting up a franchising system throughout Canada and the northern United States, which would provide the answers to his lack of Canadian business experience.

It was, he feels, a wise decision. Business is picking up nicely in his

western suburban outlet and he has captured the market for a number of the area car dealers and service stations, the bread and butter of the trade.

To a top quality product Reddi-Rad added a training course for staff, assistance in shop layout, supply of equipment and advertising as well as follow-up and an exclusive territory which covers the Ottawa-Carleton region. His future plans include the opening of other Reddi-Rad shops or sub-franchising to others.

For Michael Hribar, president of Reddi-Rad, franchising offered a retail market for his product dominated in the past by large distributors, jobbers and international manufacturers.

While it is true that in many cases the franchising field is dominated by multi-national American-based firms, Canadian companies featuring Canadian products are doing well in the domestic market and are actually expanding internationally.

(For further information about franchising or seminars being sponsored by the Department contact Jim Kelly, **Distribution Services Branch**, Department of Industry, Trade and Commerce (88), 235 Queen St. W.,

Ottawa, Ontario K1A 0H5 or call (613) 593-7981.)

**IT&C provides the following services to the Canadian franchise business:**

- Sources of general background information on franchising in Canada and abroad: an extensive bibliography on franchising has been prepared. Copies are available at no charge.
- Assistance and advice in the selection of domestic and foreign specialists in such areas as commercial space, franchise sales, franchise contracts, and franchise consulting.
- Advice and assistance concerning the various services and programs of the Federal Government.
- General information concerning foreign markets and how to enter such markets; the world-wide offices of the Trade Commissioner Service of IT&C are prepared to assist firms enter foreign markets.
- Verification of the background and credentials of foreign firms with whom a Canadian firm is considering engaging in business.
- Location of suitable joint venture partners in foreign countries.



**Report from Tokyo**  
by P.G. Campbell  
First Secretary (Commercial)

## Reassess the Japanese Market

**“... Canadian companies which have dismissed Japan as a potential market may be missing the boat.” Now is the time to. . .**

Over the years Canadian firms have been attempting to develop a market in Japan for their manufactured goods. Some have met with great success but perhaps many more have experienced difficulties in exporting their products to Japan. Such experience, compounded with stories of how unreceptive the Japanese market is for imported goods, has in turn discouraged many Canadian companies from even trying to market in Japan. However, Canadian companies which have dismissed Japan as a potential market may be missing the boat. Here is why Canadian companies should be seriously considering Japan as an expanding market for their products.

First of all one should look at the size of the Japanese economy — an economy which reached \$1 trillion in 1978 to become the second trillion dollar economy in the world after the United States. GNP figures alone, however, do not tell the whole story.



Disposable income in Japan is about \$8 - \$9,000 per capita and wages in Japan (at \$15 - \$16,000 per capita) have now reached the stage where the average Japanese worker earns as much as, or perhaps a little more than, his Canadian counterpart. The market, then, is immense and the potential for Canadian exporters substantial. That being said, what makes the market of today different from that of two or three years ago when Canadian firms found it difficult to sell in Japan?

First, Canadian goods have become very competitive on the Japanese market as a result of the devaluation of the Canadian dollar vis-a-vis the Japanese yen. In a period of two years the Japanese yen has increased in value to the point that it is now worth 50 per cent more in terms of the Canadian dollar than before. This has presented a substantial competitive advantage to Canadian manufacturers.

Second, there appears to be a growing realization within Japan that it is no longer a “poor country” which cannot afford imports of anything which could possibly be made domestically. Japan has built up substantial trade surpluses with her major trading partners and these same partners have made it very clear that Japan must open up her markets to the products of their manufacturers. We now see a situation where the Japanese government is, through such organizations as JETRO, taking steps to promote imports of foreign manufactured goods. The most obvious motivation for such activities is the fear that Japan’s major trading partners might turn protectionist and impede access to their markets but it appears also clear that the Japanese government has



finally realized that Japan has achieved a certain degree of financial security which allows her the “luxury” of importing manufactured goods from abroad. The Japanese government has taken steps such as sending import missions to the United States and Europe, publishing much useful information in English on the Japanese market, and providing free exhibition space in the newly created World Import Mart to foreign governments for the sole purpose of promoting imported manufactured goods to Japan. Furthermore, as a result of the Multilateral Trade Negotiations presently under way, it is anticipated that the Japanese market will become increasingly accessible to foreign products. The Japanese consumer is becoming increasingly receptive to imports: as proof, one does not have to look far in Japanese shops to see the extent to which foreign products are accepted by the Japanese.

That this changing attitude, and a more expensive yen, are having an

# CANADA TRADE CENTRE COMMERCIAL DU CANADA ナダトレードセンター



Japan. Our experience is that Canadian companies which are successful in Japan visit the market at least four times a year and have had the patience to wait for several years for sales to build up. At the beginning, moreover, these firms took the trouble to learn about the market for their products in Japan and, based on this research, were able to decide on appropriate channels of distribution. They were not disappointed when sales did not result from their first trip but recognized that it would take them some time to build up the knowledge of the market and to establish the relationships with local firms that would enable them to properly sell their products here. Once steady sales volume has been established, however, these companies do not cease coming to Japan but continue to make regular trips.

Many of the firms that are successful in selling to Japan are also successful in selling to other off-shore markets. They report that while some business practices are different in Japan than elsewhere, the basic commitment to the market that is necessary to achieve sales is much the same. That is, regular visits and an understanding of the market so that one can be a true partner of one's agent in a foreign country.

In summary, Japan offers a large, wealthy market in which attitudes toward imports, both on the part of government and of the private citizen, have become more receptive. The time is therefore ripe — and will probably never be better — for Canadian manufacturers to sell their products in Japan.

At the same time, however, manufacturers should remember that because of the wealth of the Japanese market it is perhaps one of the most competitive markets in the world. Not only must one compete against the products manufactured by Japan herself, but also against the products manufactured by Europe and America and those manufactured by the "new Japans" such as Korea, Singapore and Taiwan.

The price of market entry is perhaps higher than other markets but the potential may warrant the higher stakes.

effect is clearly reflected in the 1978 trade figures which show that manufactured goods accounted for 25.2 per cent of all Japanese imports — an increase of 4.5 per cent over 1977. While the increase was spearheaded by quite substantial increases in imports

from the advanced developing countries, such as Korea, Singapore and Taiwan, the major advanced industrial nations of the world also shared in this increase. One might argue that this share of manufactured goods in the total import picture is still low, but one must not lose sight of the fact that a 4.5 per cent increase over the previous year is a substantial shift in trade patterns and that it represents a market of about Canadian \$24 billion.

In short, Japan is a wealthy market, Canadian products can be competitive on a cost basis, and barriers to imports in Japan have been coming down. This does not mean, however, that Canadian firms can sit back and write orders. What it means is that there are good opportunities for Canadian firms to enter the market **if they are prepared to make the effort**. Certainly these opportunities may never be better.

All the above advantages will be insignificant if the potential Canadian exporter is not prepared to make a certain commitment to exporting to



# The Canada Trade Centre in Japan

## Just the vehicle to launch your sales?

The first ever Canada Trade Centre has been opened in the new World Import Mart in Tokyo to assist Canadian companies to take advantage of the large and promising market for Canadian manufactured goods in Japan, and the import promotion measures undertaken by the Japanese Government, as discussed in the accompanying article, "Reassess the Japanese Market." One of these measures has been the promotion of exhibition space in the new World Import Mart free of charge through the courtesy of the government-supported Manufactured Import Promotion Organization (MIPRO).

The World Import Mart, in which the Canada Trade Centre is located, is situated in the Ikebukuro section in Tokyo, a rapidly expanding area northwest of Tokyo's traditional centre. The World Import Mart is part of a greater complex known as "Sunshine City," which also comprises a 60-storey office tower, a 1,000 room first-class hotel (presently under construction), and a "culture centre building" (housing a bus terminal, additional display areas, museums, sports facilities, etc.). The project, which cost about \$1 billion, was constructed by the Japan Urban Development Co., Ltd., a company owned by more than 100 leading Japanese corporations. The World Import Mart has the full support of both government and industry in Japan.

In addition to the Canada Trade Centre, the MIPRO Exhibition Halls on the 6th and 7th floors of the World Import Mart House the U.S. Trade Centre, permanent commercial displays by the New Zealand and Finnish Embassies, product displays by the British and German Chambers of Commerce in Japan, and a trade display organized by the French Bank, Société Générale.

The Canada Trade Centre is being used by the Commercial Section of the Canadian Embassy in Tokyo to stage a series of vertical trade fairs at the frequency of one per month. Each show features ten to 15 Canadian companies in one specialized field, and lasts four to five days.

The Canada Trade Centre facility comprises 300 sq. meters, of which about 250 sq. meters can be used for exhibits. The balance is taken up with storage, kitchen facilities, offices and discussion rooms. The display system has been designed in such a way that it may be changed in its configuration according to the number of companies participating, or according to the types of products to be displayed. It comprises a series of back panels, which are integrated with large hexagonal stages, varying in height from 20 cm to 75 cm.

Although the lower floors of the World Import Mart house retail outlets, and thus attract a fair number of customers, very few

of these people make it up to the seventh floor. This is just as well, however, as the shows at the Canada Trade Centre are aimed at attracting trade visitors rather than the general public. To achieve this, the Commercial Section of the Canadian Embassy in Tokyo conducts a highly-directed promotional campaign in advance of each show. This consists of: direct mailing to potential buyers or agents; advertising in specific trade journals; the use of local trade associations to generate interest; and making contact with the many potential importers and traders known to the Embassy. Based on the experience to date such a promotional campaign results in attracting 200-500 potential buyers to the site during a five-day show. It should be emphasized that the buyers who do come do not represent casual traffic, but serious potential trade partners for Canadian companies to penetrate the Japanese market.

Depending on the format chosen certain major companies may be invited to private showings, or the show may be opened for the whole period to the general trade.

The first of the shows, the Furs and Jewellery Show, opened the Trade Centre on January 23, and was followed by the Auto Parts Show from February 13-17 and the Ocean Equipment Show from March 13-17. These three shows had quite different goals, but were all judged very successful by the participating Canadian companies.



In the case of the Furs and Jewellery Show, sales were the main criteria, and something in the order of \$1 million was achieved. The bulk of the sales were made by the furriers, who have been active in the Japanese market for more than ten years. In the case of the jewellers, sales were more modest, but every jeweller wrote at least one sample order. The Auto Parts Show resulted in few major sales, but all the participants were able, as a result of the Show, to make excellent contacts with the major buyers from the automobile manufacturers in Japan. That the participants will have to continue to visit Japan to follow up on these contacts is clear, but it is hoped that eventually such contacts will lead to Canadian companies selling parts to Japanese manufacturers for their assembly operations in Japan, or in the future, in North America. The Ocean Equipment Show resulted in on-site sales of about \$100,000 and expected sales within 12 months of about \$3 million. Again, as in the case of the Auto Parts Show, the contacts established with companies and individuals in Japan may ultimately prove far more important than actual sales resulting directly from the Show itself. Further shows which will have been held by the time this Commerce goes to press are: Fish Products Show, April 17-20, Electronics Products Show, May 22-26. A Building Products Show is planned for July 3-8, and thereafter shows could feature furniture, leather garments, nuclear equipment, computer communications equipment, floor coverings, pulp and paper industry equipment, and leisure wear.

Because of the reasons outlined in the accompanying article the time is certainly ripe for Canadian manufacturers to export their products to Japan: the Canada Trade Centre might be just the vehicle to launch the sales. If your company is interested in participating in any of the subject shows listed above, or if you wish to suggest other sectors where a suitable contingent of Canadian firms would be interested in displaying products in Japan, please contact your nearest regional office of the Department of Industry, Trade and Commerce in Canada or Mr. R. A. Fairweather, Pacific Division, Pacific, Asia and Africa Bureau, Department of Industry, Trade and Commerce, 235 Queen Street, Ottawa, K1A 0H5 (tel: (613) 996-5381).

For information concerning the Canada Trade Centre including costs and details of participation either for the first group of shows or others, please contact the Canada Trade Project Manager, Mr. L.V. Ford, Promotional Projects Branch at the above Department, Ottawa address (tel: (613) 995-6221).

# Canada-Italy industrial co-operation

Report from Rome by S.G. Harris  
Minister (Economic/Commercial)

**"We do not know as much about each other as we could, Canadians read very little in the international business news about Italy, and Italians read very little about Canada." — But some steps are being taken to remedy this situation, steps such as those described in the following. . .**



*Photo supplied by Associazione Nazionale Costruttori Edili shows the multi-purpose Tarbela Dam in Pakistan built by the Franco-Italian Consortium. Possible future co-operation in promoting engineering projects to world markets in which Italian and Canadian areas of expertise could be combined was highlighted by recent mission. Such fields as forestry, pulp and paper, hydro electricity and telecommunications were among those discussed.*

From January 21 to 31, 1979, a mission composed of 14 Canadian businessmen and led by Senator Peter Bosa visited Italy for discussions in Rome, Milan, Turin, Genoa and Bologna. The mission follows upon an earlier industrial co-operation mission of Italian businessmen to Canada in late 1976. The Italians are planning a second mission to Canada this fall.

The January mission included representatives of five industry sectors: contractors, consultants, plastic processing, industrial housing and nuclear equipment. Its object was to visit Italian counterpart companies to try to define areas where it would be beneficial for private industry in Italy and Canada to co-operate through licensing, exchanges of technology, joint ventures, investments and reciprocal marketing arrangements. As an added feature in this particular mission, we highlighted prospects for co-operation between Canadian and Italian companies in capital projects in third countries, bearing in mind that, in the engineering and contracting field, both countries have particular areas of expertise which they have been actively promoting in markets of the Third World, Arab oil countries and state-trading countries.

An industrial co-operation mission is one where immediate results are not easy to assess. There is no quick summation of sales figures at the end of the visit, and many of the contracts made are of a preliminary nature which may lead to negotiations over a number of months or even years before concrete results materialize. Naturally, discussions are between private companies which prefer not to make their preliminary negotiations public. Nevertheless, from discussions with mission members at the conclusion of the Italian visit, we are convinced that they are most satisfied with the results.

Firstly, the Italians and Canadians who met learned a lot about each other. Canada and Italy may be viewed as medium-sized countries industrially and politically. We do not know as much about each other as we could. Canadians read very little in the international business news about Italy, and Italians read very little about Canada. This, despite the fact that there are many links in terms of friendly associations through immigration and business relations that have taken place between the two countries over many years. Without question, however, every participant in the January

mission went home with something new to ponder, something to think about and some concrete prospects to consider, several negotiations having been set in train as a result of contacts made.

In the plastic processing group, the two Canadian firms which were on the mission have found possibilities for joint ventures: one for production in Canada, the other one a licensing arrangement in Italy. The nuclear equipment suppliers, of course, have much to talk about, as Italy is presently embarking on a major nuclear power program, and prospects for purchasing CANDU nuclear reactors are very real. In addition, there are possibilities for the joint manufacture of components for third country markets. In the consulting and construction fields, both Canadian and Italian firms are active in markets in Africa, South America and Asia, and these are potential areas for joint venturing. Italian contractors are renowned world-wide for their expertise in the construction field, while at the same time Canadian consulting engineers have a wealth of experience in the areas of forestry, pulp and paper, hydro electricity and telecommunications, to name but a few. It only seems logical that the Canadian expertise in process industries, along with specialized hardware and design, be coupled with the Italian talent for building plants in Third World countries. A number of possibilities for collaboration in this area were defined, and while none are at a point where they can be announced publicly, we have every expectation that in the months ahead we will see fruitful business result from such co-operation.

Finally, the conclusion of most of the Canadian and Italian participants in the mission, which covered more than 200 individual meetings, was that in an increasingly competitive international market, medium-sized countries like Canada and Italy, which do not have the breadth and scope of industry which is available in such countries as Japan, the U.S.A. and Germany, must combine their talents to meet increasing global competition. Looking forward to the post-MTN period of the 1980's, this kind of consideration will become ever more important to businessmen in both countries.

Last January's mission thus represented one further step towards closer trade and economic relations between Canada and Italy. The Department of Industry, Trade and Commerce will, over the months ahead, through its resources in Canada and through Canadian Trade Commissioners in Rome and Milan, seek to build on the positive experience gained during the recent mission. It will accordingly actively follow up leads which the mission uncovered and, over the longer term, will intensively explore with Canadian business and Italian counterparts new possibilities for on-going co-operation.

# “You find the man with the money who can make the decision to buy.” David Hall finds his man in — IRAQ

Fifty ambulances, manufactured by Tri-Star Industries of Yarmouth, Nova Scotia, arrived at their final destination of Iraq on March 20, 1979. This \$1 million shipment, including 10 tons of mechanical parts and 12 tons of medical equipment, is proof that “it’s not impossible for Canadians to do business with the Middle East.”



These are the sentiments of David Hall, Tri-Star's vice president of sales. The company, a division of Motor Mart Ltd., began operations in 1973. Today, Tri-Star is the third largest ambulance manufacturer in Canada — its vehicles incorporating the best design features of most North American van type ambulances with special attention to the needs of specific markets. Established in the Canadian scene, Tri-Star began looking for export potential abroad.

The shipment to Iraq was Tri-Star's first success in its many efforts to penetrate the world marketplace. Other attempts, in South Africa, Puerto Rico and Chili, were hindered, not by product quality, rather by foreign government regulations or the country's inability to pay. According to Hall, “You find the man with the money who can make the decision to buy.” Well, Hall found his man in Iraq.

## Market Research, Initiative and Follow-through.

This success story had its beginning over a year ago, when Hall, through extensive market research, made some important discoveries. Due to political sensitivities,

the Iraqi government didn't want an export relationship from the United States — this meant no U.S. competition. However, the Iraqi were interested in western products and technology — they wanted to do business with Canadians. Also, Iraq, with a population of only 11.5 million, is a “manageable” market target for Canadian companies.

With this positive information, Hall wasted no time. He made arrangements to exhibit a Tri-Star ambulance at the Iraq Fair for Capital Goods, Baghdad, March 1 to 15, 1978. He recognized the Fair as a golden opportunity to penetrate the lucrative Middle East export market area; to evaluate marketing conditions; and to ascertain special modifications. With these goals in mind, Hall applied for and received financial assistance from the Department of Industry, Trade and Commerce through its Program for Export Market Development (PEMD). Through PEMD, IT&C makes repayable loans to individual companies to cover costs in developing export business, which, because of the risks involved, might otherwise discourage initiative.

At the March fair, the Tri-Star ambulance received recognition and acceptance, despite competition from France, Germany and Japan, because essentially the Iraqi wanted a “North American-type” vehicle. Initial negotiations were made and modifications were discussed.

Hall emphasizes, however, “It's not just a matter of going to fairs — what's important is the follow-through.”

“In the last year, I clocked over 100,000 air miles in a total of 20 weeks in order to secure and service this contract. In Iraq, as everywhere else, the basic rules of selling apply. You have to be credible, represent your product truthfully, know what you're talking about, display confidence and — above all — keep your word and deliver! Iraqi business people want someone to take care of them, to ensure both product quality and service.” In addition to the trips to Iraq, Tri-Star sponsored the December 1978 inspection tour of its Yarmouth plant by the Iraqi Deputy Minister of Health and the Director of Emergency Services.

Hall maintains companies need not take a loss on initial sales to penetrate foreign markets. “If you have a product worthy of its price you should get a profit worthy of your work. And if a deal can be sold on its merits, language is not a barrier.” This proved especially true in Iraq, where Hall found that interpreters were for the most part unnecessary because the Iraqi were eager to perfect their English, which is the country's principal foreign language.

Interested in securing other Middle East contracts, Tri-Star also exhibited at the Baghdad International Fair in October 1978 — an event that attracted an attendance of 1.25 million in ten days.

He comments, with disappointment, “While other countries had huge pavilions, only four Canadian companies attended — exhibiting minor products.” Why? Hall replies that he doesn't really understand. Upon reflection, he adds, “Perhaps because of the lead time required for visas, or maybe it's just too much trouble.”

Hall, aware of Canadian export potential, took the opportunity, during his several visits, to explore Iraq as an export market for other Canadian companies. He discovered requirements for textiles, machinery and food stuffs — “all kinds of opportunities for Canadian business.”

Anxious to spread the good news, Hall contacted several Eastern Canadian companies that he felt could meet Iraqi needs. For reasons that elude him, he wasn't able to generate any interest. He cites an example “The Iraqi had a requirement for 700,000 bedsheets — the company need only supply prices and samples. The Canadian companies I contacted couldn't even come back with that.”

## Some facts on Iraq

Iraq has an area of 438,446 square kilometres, a population of 11.5 million, and a subtropical climate. At present, it's governed under the authority of a provisional constitution issued September 22, 1968. This established Iraq as a democratic republic, ruled according to socialist principles. Islam, the state religion, is practised by 90 per cent of the population.

Major industries include refined petroleum, sulphur, vegetable oils and cement. In the past five years, Canadian exports to Iraq have grown from \$3.6 million to more than \$35 million, including products such as wheat, railway equipment, lumber softwood, wood pulp and paper products, heating and refrigeration equipment, unmanufactured asbestos, construction, electrical and non-metallic mineral basic products, and telecommunication equipment and related products.

The unit of currency is the Iraqi dinar (ID), which is divided into 1,000 fils and is equivalent to approximately \$3.95. A visa and smallpox inoculation is necessary to enter Iraq.

Iraq is planning specialized trade fairs to be held on an annual/semi-annual basis. In light of this, participation in specific trade fairs is becoming increasingly important for Canadian companies wishing to penetrate the Iraqi market.

The complete inside story on Iraq for Canadian business wishing to explore the country's future export possibilities, is available by sending for “Markets for Canadian Exporters — Iraq” published by the Department of Industry, Trade and Commerce, Ottawa, Canada, K1A 0H5.

# Mission to Central America and Panama explores development programs

by S.F. Pattee, Caribbean and Central America Division,  
Western Hemisphere Bureau, Department of Industry, Trade and Commerce

In January 1979, C.T. Charland, Assistant Deputy Minister, Trade Commissioner Service and International Marketing, led a high level trade mission to Panama, Costa Rica, Guatemala, El Salvador and Honduras. The mission included 14 representatives from the private sector and from industry associations.

Now IT&C is co-operating with provincial governments in a program of trade missions and trade fairs to follow up on that mission. Through the Program for Export Market Development (PEMD), Canadian firms are also being encouraged to explore the Central American market and to participate in development projects. It is hoped to include a report on each of the countries in the area in the next (August/September) issue of Canada Commerce. A comprehensive report on the mission is under preparation and will be available shortly.

While there had been a number of specialized missions in recent years, to and from Central America, that held in January was the first high level mission to visit the area. Its main objectives were to demonstrate Canada's interest in further developing trade and economic relations with the region; to acquire a first-hand knowledge of each country's development plans in order to match Canadian capabilities to their requirements; to lay the basis for a continuing and systematic market development program; and to establish contacts for future follow-up by federal missions, by provincial missions and by private industry associations and businessmen.

With a combined population of almost 20 million and foreign exchange reserves at a high level due to the high price in recent years of their major export commodities, the Central American countries offer excellent market opportunities. The mission took place at a time when most of the countries in the region have undertaken or are about to undertake major industrial development programs. The main areas of development will be power generation and transmission, mining, tourism and hotels, food processing, fisheries, livestock and agricultural development, forestry, telecommunications and housing. The majority of these areas were represented on the mission.

Canadian exports to Central America and Panama have expanded from \$25 million in 1971 to \$105 million in 1978. In 1978 alone, exports increased by 31 per cent over the preceding year. These figures do not include the export of engineering and other services which are estimated to run at several million dollars a year. During the same period, Canadian imports grew from \$42 million in 1971 to \$130 million in 1978.

Canadian firms are presently actively pursuing or have expressed an interest in projects totalling more than \$4 billion. These range from the massive Cerro Colorado copper mining project in Panama, valued at \$1.6 billion, to small pre-feasibility studies in a number of areas. Through participation of the Export Development Corporation and a representative of the Canadian Bankers' Association, the various forms of financing available from Canada were brought to the attention of local planners, bankers and other government officials. Canada's willingness to participate in the regional development of the areas was underlined and the financing of several specific projects was discussed in detail.

In the area of fisheries, mission members reported that the major potential appears to be in the creation of joint venture fishing operations and the possible spin-off in equipment sales which could result from these. Sales of pure consulting services relative to the various development projects do not seem to present great potential.

One of the biggest areas of need in the forestry sector according to a mission participant lies in the development of markets for as many as possible of the species that are not now being used. This would then be followed by the establishment of modern medium sized sawmilling complexes.

In the transportation sector, opportunities for the sale of aircraft and for railway rehabilitation projects are being pursued. Highway construction has a high priority in all countries and offers possibilities for Canadian equipment and services. Few prospects exist for airport consulting services although some of the local airlines may require assistance.

The President of the Association of Consulting Engineers of Canada reported that the best opportunities for consulting firms are in the larger projects where the engineering and/or construction services could be tied to Canadian financing. The areas with the best potential are transportation, mining, energy, agriculture and forestry.

The agricultural sector offers possibilities for sales of cattle, both dairy and beef, grain handling and storage facilities and other agro-industrial developments.

In all of the countries visited, efforts are being made to diversify their exports. The representative of the Canadian Importers Association held a number of meetings with local exporting associations and undertook to bring these opportunities to the attention of Canadian importers.

While it is too early to evaluate results in dollar terms, the consensus suggested that the mission objectives had been achieved. In each country visited, the mission met with the President or Vice-President, with a number of Ministers and with senior officials as well as with representatives of the private sector. The mission was successful both in creating a heightened awareness of Canadian capabilities to supply both goods and services and in identifying opportunities under the various development programs in the region.

Canadian companies interested in obtaining information on Central America should contact the Caribbean and Central America Division, Western Hemisphere Bureau, Department of Industry, Trade and Commerce or any of the Regional Offices across Canada listed in the inside back cover.



*Site of the proposed \$1.6 billion Cerro Colorado Copper Mining Project in Panama. Plans call for the removal of 27 million tons per year of copper ore from the hill (centre of photo) using open pit methods.*

# For the want of a widget. . . Don't lose sales, use BOSS!

Whether you are a Canadian manufacturer looking for a source of widgets for your operations, a foreign importer wishing to expand the range of Canadian imports handled by your firm, or a trade commissioner in one of Canada's 89 consulates anxious to find Canadian products suitable for trade expansion, the new Business Opportunities Sourcing System (BOSS) being developed by IT&C in co-operation with the provinces will provide the answers.

The need for a reliable product sourcing information system was identified as a major requirement by Canadian business during a series of business-government consultations promoted by Enterprise '77. As a result of this recognized need, the Federal/Provincial Ministers of Industry and Industry, Trade and Commerce established in June 1978 an Advisory Committee which is charged with the development of the National BOSS System. Work is proceeding in two phases:

## Phase I

During step one of this phase, IT&C undertook a rationalization of its systems, which required an information input from Canadian companies. A test mailing was sent in February 1979 to 200 companies across the country. The mailing included a questionnaire and a request for suggestions.

The result was positive and helpful and as a result, the questionnaire and accompanying instructions were improved to make it easy for the business respondent to complete.

The system as developed will provide a comprehensive information base on Canadian companies and the products they manufacture in an easily accessible format.



To reduce the paperwork for companies to a bare minimum, the BOSS questionnaire replaces four former IT&C forms — the Exporters Directory, Company Profile and the Energy Equipment, Automotive Parts and Canadian Chemicals registration forms.

During the second step, some 12,000 questionnaires have been sent out to companies across the country and the returns are being entered into the system. This is almost complete. Completed questionnaires are coded and entered into the computer for online retrieval of the data. The coded questionnaire is then photographed and entered into a microfiche system. The microfiche will be distributed to the regional offices and trade posts who want to use them, thus providing access to all the data in the system for use by federal and provincial trade officers in Canada and abroad.

This phase of the system is expected to be operational by early summer, at which time Canadian businesses will have a sourcing index on a par with systems in other advanced trading nations.

## Phase II

Phase II of the system development involves integration of provincial data bases into the system, the result of ongoing consultations with the provinces. This will lead to a significant growth of the system to reach the eventual target of more than 60,000 companies. Achievement of this target will depend to a large degree on the response of the Canadian business community.

For further information on the program and how you can participate, contact your regional IT&C office listed on the inside back cover.

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# Coast-to-coast, there's an intelligence network at your service!

by Bob McDonell, Assistant Editor, Canada Commerce

The front line troops of Industry, Trade and Commerce's contact with Canadian businessmen are the regional managers and their staffs in the 11 regional offices across the country. Their task is to acquaint businessmen with the multitude of programs designed to assist them in capitalizing on export markets and increasing their share of the Canadian market.

An added responsibility of the regional offices since recent reorganization is their increased involvement in the delivery of programs. Approval of expenditures under many IT&C programs is now made at the regional level by the director or his designate.

This responsibility includes administration for the Regional Enterprise Development Boards which review and approve projects under the Enterprise Development Program up to \$200,000. These boards include three area businessmen appointed by Order-in-Council, the IT&C Regional Director and an appointee from Federal Business Development Bank and the Department of Regional Economic Expansion. One of the businessmen is chairman.

To assess the work of regional offices, Canada Commerce recently spent two days in Halifax and Fredericton. While the time was short we did come away with a better appreciation of the work and importance of the regional office, both as counsellor to the businessman and as an intelligence network feeding the concerns and problems of the business community back to the policy makers in Ottawa.

At Halifax, normal operations were somewhat disrupted by the opening of the first Regional Business Center (see separate story on page 18) by the Hon. Robert Andras, president of the Board of Economic Development Ministers, on Thursday, and a seminar on Export Development Opportunities, chaired by the Hon. Tony Abbott, Minister of State for Small Business, on Monday. Yet both of these events point up in a graphic way major components of the regional office function.

The export opportunities seminar, one of several held across the country, brought together successful exporters such as David Hall of Yarmouth, Nova Scotia (see separate story on page 14), export consultants, trade commissioners and other government trade experts and the regional business community. In addition to the formal sessions and question and answer portions of the program, businessmen were given the opportunity to discuss their problems with the panel on an individual basis.

With more than 300 federal government programs now operating to aid the businessman and delivered by a dozen or more departments and agencies, much of the regional function is designed to assist Canadian companies participating in those programs best suited to their individual requirements.



While the newly-opened Regional Business Centers will provide the first point of contact for the businessman, behind the Business Centre is the regional officer — himself an expert in business. For example, Max Forsyth-Smith, Halifax regional director, is an accomplished foreign trade commissioner who has had many years' experience in foreign consulates throughout the world. It was through his efforts while stationed in Hong Kong that the first post-war wheat deal with mainland China was signed. In fact, following in his father's footsteps, Max was the first second-generation trade commissioner in the service.

Fred Grimmer, regional director in Fredericton, brings to that post many years of successful business experience as well as several years of business-oriented government assignments.

The managers are backed up by staffs which cover specific areas of the provinces and industry sectors as well as the line branch officers at Head Office, each a specialist in a particular industrial sector.

As might be expected in New Brunswick with its large Acadian population, bilingual service is an important factor. This is currently covered by Jean Richard, a New Brunswicker whose roots go back several generations, and a second bilingual position is in the process of being filled.

Another major function of the regional offices is liaison with provincial government departments, local development associations and boards of trade. These close associations, particularly in the smaller provinces, help the regional officers keep in close touch with business trends and provide an excellent means of keeping the business community informed of new federal thrusts.

And then there is the one-to-one personal exchange so important in developing ideas and projects and in the follow-through of industrial opportunities.

Altogether, we were pretty impressed by the services these regional offices have to offer. But don't just take our word — find out for yourself! (A complete list of regional offices is reproduced on the inside back cover.)

# Business Information Centres open doors across Canada

by Lydia Huber

It is only a little more than a year since the first Business Centre opened in the Department of Industry, Trade and Commerce's headquarters in the spanking new C.D. Howe Building in downtown Ottawa. Now. . .



*Regional personnel have undergone training whereby they've been exposed to Ottawa's more than 300 federal programs affecting business. In their own province, they will have a close working relationship with provincial and municipal aid program officers — giving business assistance at all levels of government. Left to right: Robert Friedrich, Regina; Glenda Mason, Regina; Ottawa Business Centre Director, Eugene Marchand; John McDougal, Edmonton; Peter Fentiman, Vancouver; and Terry Sellen, Winnipeg.*

In March 1978, the federal government opened its ears to the nation's business community by setting up the Business Centre in Ottawa. Its goal, according to Centre Director, Eugene Marchand "was to put an end to the discouraging run-around that business people have complained of for years when they've tried, in the past, to get information or help from the government."

It worked. So well that ten regional Business Information Centres (BIC) opened in major cities across Canada this spring.

To understand just what business persons can expect from the new BIC when it opens in their province, an explanation of what happened in the Ottawa Business Centre follows.

What the Business Centre did for more than 40,000 Canadian business people who phoned, wrote or visited the Centre in its first year of operation was to make the labyrinth of federal bureaucracy accessible for the first time.

Just one telephone call to the magic number (and it's still the same) — Zenith 0-3200, puts the caller in touch with one of the Centre's counsellors, all generalists picked for their experience in business and government.

From them, callers — MPs, industrialists, company officials, investors, foreign business persons, the general public and yes, even other civil servants — can find out what kind of federal assistance programs and services are available. And because the Centre's staff works in close co-operation with provincial and municipal departments, it can advise on the programs of these organizations as well.

As far as Centre Director Marchand is concerned "if someone calls the Business Centre, it's the last call they're going to make. The counsellors make the necessary contacts with the appropriate department, and the information usually gets back to the caller the same day."

While the staff is not on duty 24 hours a day, the Centre itself is. An electronic telephone answering service records messages left during non-working hours and staff answers inquiries as soon as possible the next day. Every inquiry, request for action, and piece of correspondence is logged by staff to ensure that proper action is taken and that follow-up is complete.

To complement its services the Ottawa Business Centre has taken on additional responsibilities in information dispersion. The Centre publishes and makes available

on request to Canadian manufacturers the "New Products Bulletin" — information on licensing and joint venture opportunities that may be investigated by Canadian industry for the purpose of forming manufacturing affiliations, and "Doing Business in Canada," a series covering every facet of the Canadian business scene.

The Business Centre concept came into being when the results of 5,000 interviews, conducted with business persons during IT&C's Enterprise Canada 77, were reviewed. It was discovered that the major complaint was that business persons couldn't find their way in Ottawa to find the appropriate officer in order to obtain advice or guidance on government programs and services.

So the aims of the Business Centre were established. They are:

- To improve the physical accessibility of the Department of Industry, Trade and Commerce, and the government in general, to the Canadian business community.
- To be the central contact point within the department for business persons seeking information or advice about federal programs and services.
- To help business persons visiting Ottawa, or wishing to visit Ottawa, by contacting the people and departments interested in their particular requirements.
- To provide telephone or written information services.

The Centre has a record of satisfied customers. A Vancouver lawyer wishing an interpretation of the Small Business Loans Act had his call returned within 20 minutes by a senior official of IT&C. An engineer who'd been trying for six months to interest someone in the government in his graphic design proposals had a contact two days after dropping into the Business Centre.

What happens to the Ottawa Centre now that the bulk of inquiries will be handled by its provincial offsprings? Marchand explains that their role is to act as resource back-up for the regional offices; arrange appointments for business people visiting Ottawa; and handle all inquiries pertaining to federal government programs and services in Ottawa. Those requiring this kind of specialized information need only place a collect call — (613) 995-5771 — and a counsellor will be happy to help.

For all others, same-day assistance is just a Zenith 0-3200 away! A complete list of regional office locations, most of which now have their own Business Information Centre, is printed on the inside back cover.

# Looking to less developed countries CIDA launches new program

Canadian companies interested in markets in less developed countries can now take advantage of a new program recently launched by the Canadian International Development Agency (CIDA).

The objective of this Industrial Co-operation Program is to stimulate increased participation by the Canadian private sector in the industrial development and growth of the less developed countries. This can be achieved through joint ventures and other forms of business collaboration which provide mutual benefits for both Canada and the less developed nations.

According to Maurice Hladik, Director of the Asia and Africa Bureau in CIDA's Industrial Co-operation division, "there is an overriding element of practicality in encouraging Canadian business communities and the developing world to put their combined economic power and managerial abilities to work together.

"Although such activities are not usually motivated by altruistic considerations on the part of business there cannot help but be a positive developmental impact through industrial co-operation."

Examples include job creation, increased income, improved availability of manufactured goods, technology transfer, and exposure to technical and managerial skills when there are international commercial linkages of any nature.

"But industrial co-operation does not always occur spontaneously," adds Hladick. "The partners in any potential commercial venture must be brought together and each provided with relevant information on the other.

"This is where CIDA's Industrial Co-operation Program has a role to play — acting as a catalyst in bringing together appropriate commercial interests plus developing an environment where business has a better chance of success. Typically, companies taking advantage of this program view it as a marketing tool whereby a branch facility is established in a developing country for final assembly with key components coming from Canada."

The program is designed to recognize and foster the entrepreneurial drive of the Canadian business community. Project planning is, for the most part, the responsibility of the private sector, rather than through the governmental planning process which typifies more traditional aid programming.

CIDA works directly with the companies and organizations involved in projects, supporting their initiatives in ways which

involve minimal government intervention. Emphasis is on speed of project processing and execution.

This is what CIDA's Industrial Co-operation Program has to offer:

**Information Analysis:** CIDA provides information on industrial co-operation opportunities in a readily usable format. This includes the sponsorship of studies of investing opportunities; the provision of information to less developed countries on appropriate Canadian industrial interests; and the support of industrial co-operation missions, technology transfer seminars, workshops, meetings and promotion visits and studies either to or from the developing nations. This was designed to facilitate the flow of pertinent and up-to-date information between the Canadian business community and that of developing countries.

**Pre-feasibility and Feasibility Grants:** CIDA helps companies analyze joint venture opportunities by providing up to \$10,000 in grant assistance for "Pre-feasibility Studies" — preliminary analyses of projects, such as joint ventures, licensing



*As Maurice Hladik explains to regional officers "since our budget is limited, we're not in a position to entertain projects requiring multi-million-dollar support. Despite this, CIDA expects that the type and number of developments in which it will become involved, is large. Furthermore, we are confident that additional funds will be forthcoming as the program gains support from the Canadian and foreign business communities." CIDA staff is now engaged in actively promoting the program to gain the interest of Canadian business communities. So far, Hladik adds, "the response has been very favorable."*

arrangements, long-term management contracts, or other forms of sustained involvement other than direct sales abroad. Under most circumstances these costs include a trip to Canada by the person's potential foreign partner. And, on a flexible matching basis, CIDA provides up to \$100,000 to finance "Feasibility Studies" — sophisticated analyses of project possibilities designed to lead directly to investment decisions. (Both these grants were formerly provided for under CIDA's Pre-Investment Incentives Program, which has been incorporated into this new program, but with increased funding and expanded eligibility.)

**Assistance to Industrial Projects:** This, the most general aspect of the new program, could include assistance unrelated to specific investment projects but of benefit in general terms, to industrial co-operation. Included are training (industrial development techniques, management, preventive maintenance, cost accounting); institutional linkages (financial institutions, standards associations, science and technology organizations, universities, industry, associations); as well as support to Canadian business persons in dealing with problems of language, tax and corporation laws and other obstacles which must be overcome before formal commercial linkages can be established. This provides an environment in which both the Canadian and his foreign counterpart are better equipped to work together.

**Industrial Credits:** CIDA has available a limited number of concessional loans to selected developing countries at a modest three per cent interest rate, at seven years grace and 30 years repayment. The funding

will be used to strengthen the capacity of local industrial planners and export market specialists of international institutions and private business so that they will be able to better plan for the industrialization of the country; select the projects which are most appropriate to their national needs; promote and manage their exports; provide counselling and advice on specific business problems; and provide support to business-related institutions.

These loans are 80 per cent tied to the Canadian service sector. Loans are provided directly to the developing country for on-lending as they deem appropriate or directly to industrial institutions but guaranteed by the recipient country government. However, CIDA expects it will take 18 months before this aspect of the program is fully operational.

The program is aimed at small and medium-sized businesses. Applications for assistance will be assessed by CIDA from two points of view.

From the Canadian perspective, CIDA will take into consideration the technical, financial and management resources of the concerned company, keeping in mind the conditions in the host nation concerned. Furthermore, positive Canadian benefits are also a factor.

From the developing country point of view, CIDA will seek to ensure that the projects which it supports meet the developmental needs of the countries concerned. Priority will be given to projects which increase and strengthen the productive capacity of the developing countries; are labour intensive; use local raw materials; contribute to the upgrading of managerial and technical skills; and have export potential.

The program is available to Canadian business persons, proprietorships, partnerships and limited companies, subject to Canadian law. Most types of collaborations in developing countries which entail ongoing, mutually beneficial involvement by both sides will be considered. These include *inter alia*, joint ventures, direct investments, technical/management arrangements, licensing arrangements and production sharing agreements. CIDA cannot provide equity funding.

At present Canadian private sector investment in the Third World ranks fifth of all developed countries after the United States, Japan, West Germany and Britain. The investment totals approximately \$3 billion, increasing at an average annual rate of more than \$500 million. The bulk is located in the Caribbean and Latin America, but current trends indicate a shift to Asia.

Arrangements have been made with the Canadian Executive Services Overseas to have its field volunteers seek out and promote investment opportunities on behalf of the Industrial Co-operation Division. The Canadian Trade Commissioner Service and CIDA's own field representatives will act as its interface with local contacts.

Canadian industry enjoys an excellent international reputation and has a unique opportunity to play a key role in industrial development in the less developed countries. There are a variety of government facilities and services available to the Canadian business community in this field.

The Export Development Corporation provides insurance against the political risk on investments in foreign countries.

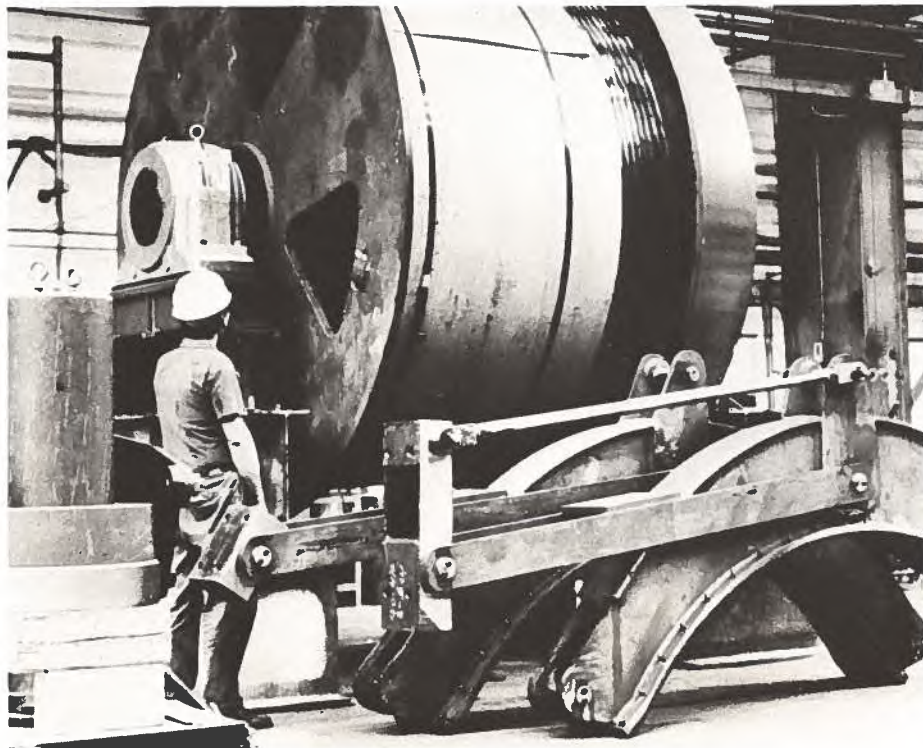
The Department of Industry, Trade and Commerce offers a range of advisory services to companies interested in operating overseas.

Other departments such as External Affairs and Manpower and Immigration also provide advisory services related to the activities of Canadians in foreign countries.

With these positive backups, CIDA's Industrial Co-operation Program has much to offer. The gains for the developing country are increased industrialization with all its attendant benefits. And for Canada, the forging of long-term links with countries which will play increasingly important roles affecting Canada's position in tomorrow's world.

Companies, organizations or business persons wishing additional information or assistance, please contact:

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Tel: (613) 997-6360  
(All dealings are handled on a commercial  
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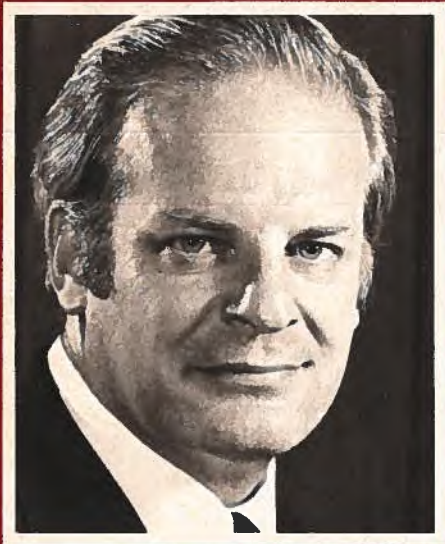
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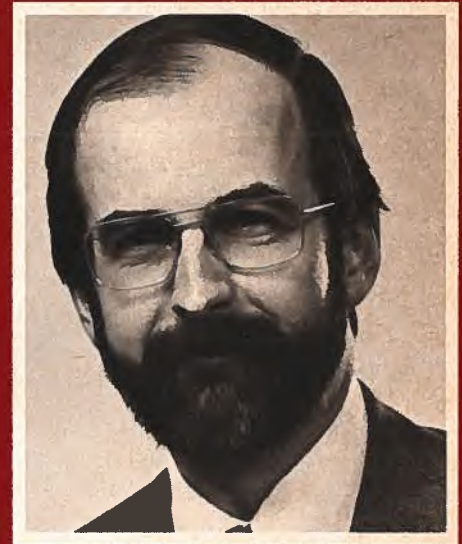
*who can help your business to grow — domestically or by exporting. Industry, Trade and Commerce Regional Offices, located in 11 major Canadian cities (see inside back cover) are all staffed with experienced trade specialists — experts such as the three shown here who direct operations covering Ontario, Quebec, British Columbia and the Yukon. These and other Regional Directors, their staffs and (in almost all cases) their newly opened Business Information Centres, are there to help you. Drop in, send a letter, make a call — and you're in business!*



Bob Dawson, Director of British Columbia and Yukon Regions, has held a number of positions in the Trade Commissioner Service in far-flung countries. He spent three years as a commercial secretary in Guatemala; two years as assistant trade commissioner and vice consul in Manila; four years as commercial secretary in Madrid; four years as consul and trade commissioner in San Francisco; and four years in Tokyo as Minister (Economic/Commercial). A native Vancouverite, Dawson worked as a plywood manufacturer prior to his government service of some 20 or more years.



Bill Jones, Ontario Region Director, has been in government service for some 30 years, during which time he's been posted in various capacities to many cities of the globe — Frankfurt, Bonn, New Delhi, Baghdad, Johannesburg, Rio de Janeiro, and Washington. His distinguished career has spanned 2nd secretary (Commercial) to Ambassador. Jones has been Director at his Toronto-based headquarters since June, 1978.



Paul Théberge, Director of the Quebec Region, has been with the Trade Commission service for almost 20 years. His various assignments have taken him to four continents — Ghana, Africa, where he was commercial secretary for two years; Lishon, Portugal, where he was commercial secretary for four years; Sao Paulo, Brazil, where he served a three-year term as Consul and Trade Commissioner; and Boston, Mass. where, for two years, he was Consul and Senior Trade Commissioner. A native Quebequer, Théberge has been director of the Montreal-based Quebec Regional office for two years.



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