

canada 1979 commerce

October/November

\$Million success yarn



China — can Canadians compete?

Reports from the U.S., Italy, Malta. . .

Canada Commerce
October/November, 1979

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Content	Page
Report from Seattle	1
Solo fair, singular success	4
Report from Detroit	5
Texas energy scene	6
Come to Italy!	8
Malta — “independent” island	10
Tuning in to government programs	11
China — can Canadians compete?	12
Time for small business to think big!	15
\$million success yarn	18
Can-Am — assist from PEMD	20

Editorially speaking . . .

Is the return worth the outlay? How can we improve the return with less outlay? Every company worth its salt goes through a continual process of such self-examination — and every businessman will endorse the same process in government.

An example which involves this Department and will affect Canada Commerce is the **Multilateral Project Information System (MPIS)**. Since 1972 I.T.&C. has provided Canadian firms, through this program, with detailed and updated information on projects financed by the multilateral development banks and the United Nations Development Program (UNDP). The object of course was to help Canadian firms in procuring contracts involved in such projects.

The amassment, processing and dissemination of this information which eventually covered 3,050 projects involved a considerable outlay: the return in total number of bids won by Canadian firms has been generally poor (not, interestingly enough, poor when one looks at the success rate of Canadian bids won *when they have been submitted* — Canadian equipment suppliers are simply not bidding sufficiently on the opportunities presented).

Since MPIS as it existed has been examined and found to be no longer justified on a cost-benefit basis, other methods must be found to improve Canada's procurement record. I.T.&C.'s Office of Overseas Projects is launching an aggressive new program to identify at an early stage new multilateral financed projects for which Canadian capability exists and Canadian firms will be directly encouraged to make a special effort, with full Departmental support, to bid on — and win — multilateral contracts.

Canada Commerce Newsletter, beginning with our November issue, will list bi-monthly the “new leads” and “approved” loan projects of the multilateral development banks. This eliminates the previous costly “updating” procedures while still keeping Canadian companies generally informed and able to follow up on details of projects which they find of interest. General information and feature stories in future editions of this magazine will also keep readers aware of the work being done by the Office of Overseas Projects in this direction and — we are certain — of its success!

Meanwhile here is an issue which covers a lot of territory, geographically and otherwise. Market reports deal with areas from tiny Malta to the enormous potential of China. From Detroit there's a look at the future of the auto industry; from Dallas comes a study of the Texas energy scene. All that and much more. . . Read on!

Please note that Canada Commerce is available free of charge in Canada only to interested Canadian manufacturers and business persons.

Publiée aussi en français

A.H.

Markets Northwest

“The Pacific Northwest market will not be easy to penetrate, but to the Canadian firm that is prepared and willing to spend time and energy, it will prove to be a profitable and worthwhile effort.”

Report from Seattle

by Douglas A. Rosenthal

Vice Consul and Assistant Trade Commissioner



Seattle's skyline seems to tower over Mt. Rainier in the distance, but the 14,500-foot peak is fourth highest in the U.S. and dwarfs even the 600-foot Space Needle, left, and the Kingdome, right.

The Pacific Northwest has long been known for its abundance of forests and succulent gourmet delights from the sea. More recently the region has gained international fame through Boeing commercial jets and the (we're No. 1) Seattle Supersonics. However, as an area of the continental United States that has enjoyed near-boom economic conditions and that imports almost \$2.5 billion of goods from Canada (\$400 million excluding natural gas and petroleum) Canadian businessmen should become better acquainted with the commercial potential of the Pacific Northwest.

The territory covered by the Canadian Consulate General in Seattle is comprised of the states of Alaska, Washington, Oregon, Idaho and Montana west of the great Divide. (The Minneapolis Consulate has responsibility for eastern Montana.) Of these states, Washington and Oregon have experienced unprec-

edented growth during the past 18 to 24 months, outstripping the U.S. average, while the other states have performed on a par with the remaining 45 states. (This article deals primarily with Washington and Oregon with their larger population bases.) The economies are expected to continue to manifest strong growth over

the next two years despite predictions for a national recession. Personal income should grow at a rate of 14.2 per cent for 1979 (versus 1978's 15.3 per cent) although real income will be reduced to 4 per cent growth by an inflation rate running equal to or above the national average. Employment levels will continue high with the aerospace/electronics sectors being the "locomotives."

The Pacific Northwest's economic history has been characterized by severe cyclical fluctuations, created in part by a concentration of economic activity in a few major sectors. In recent years, a "new" business mix has brought strength

Potential Alaskan Markets.....

Seattle's Canadian Consulate General also covers the west coast state of Alaska. Because of Canada's ability to manufacture products with excellent cold weather capabilities, Alaska has traditionally looked to Canada as a major supplier of this type of product. While the total market is small (approximately 337,000), the long term prospects are particularly bright. With the current oil and gas developments in the state, sales prospects seem good for construction equipment, industrial housing and building components, cold weather apparel, exploration equipment and recreational goods. Further development of mining activities and offshore drilling for gas and oil is opening up new areas of opportunity. Additional useful information on U.S. markets for Canadian exporters to the West Coast may be obtained from *Distribution Services, Public Information Branch, Industry Trade and Commerce, Ottawa, Canada, K1A 0H5.*



747s being assembled at Boeing's huge factory on Seattle's outskirts — largest in the world in terms of enclosed space. Canadian companies supply substantial amounts of components to Boeing for its line of commercial airliners including 707s, 727s, and 767s — the newest addition to the famous name. In addition to aircraft components for this worldwide market, Canadian firms with expertise and quality products will find a ready market in the electronics field. Such firms as Sundstrand Data, Tektronix, Hewlett Packard and John Fluke are some of the larger companies requiring a vast array of material inputs.

and stability to the region, reducing the effect of the aerospace and forest products industries on the economy while broadening the product base and the employment opportunities. Plastics, sporting goods, apparel and electronics have made significant contributions

while a resurgence in the ship-building (commercial and recreational) industry has provided additional strength.

Given this bright future, some brief comments on specific markets may assist Canadian businessmen in assessing the potential in particular industrial sectors.

Agricultural Products:

Principle Canadian exports have been meat, live animals, fruits, vegetables and fish. The post's activities are concentrated in the processed food sectors including beverages. Various promotional vehicles have been successfully utilized including solo food fairs and in-store promotions. Total exports in this category were \$115 million in 1978.

As well as appointing a knowledgeable and dynamic representative, producers must be prepared to support local sales efforts through an active and sustained advertising campaign, couponing, etc. if the Pacific Northwest is to become a significant market. The competition in the food sector is intense but the potential rewards are well worth the efforts.

Electrical and Electronic Products:

The major market is for components to the large firms located in the Seattle and Portland areas. John Fluke, Sundstrand Data Inc., Tektronix, Hewlett Packard, American Sign & Indicator are only the larger firms requiring a vast array of material inputs. Naturally there are local and California suppliers that are very active in this area but there is still room for Canadians. Much of the local demand is for high tolerance equipment, therefore quality is the keynote.

Machinery:

The total market for machinery in the Pacific Northwest is estimated at \$4 billion. In 1978 Canadian exports totaled only \$110 million, indicating considerable potential particularly in forestry, agriculture and mining. The Department is participating for the first time at the 1979 Pacific Loggers Congress in November.

Resource Industries and Construction:

The electrical generating capacity in the Pacific Northwest presents the one cloud on the horizon. Aluminum and copper production will be hardest hit.

The building industry had an exceptional year in 1978/79 but the number of new (residential) starts and tighter money will lead to reduced growth for 1979/80. Nevertheless, the solo Building Materials Show held in February, 1978 was so successful and the market is still sufficiently buoyant that a "son-of" will take place in February, 1980 on an expanded scale. (See story page 4.)

Transportation Industries:

Very little need be said of Boeing. In 1978, Boeing had record sales of 480 air-



Displaying a future "succulent gourmet delight from the sea," this vendor is obviously happy with his produce — only one of hundreds of varieties offered by this Seattle fish mart. Canadian penetration of the Seattle market is aided by food fairs and in-store promotions.

craft. As of August 1979, Boeing has announced sales of 200 aircraft.

The Pacific Northwest is also the headquarters of Paccar (including Kenworth trucks), Freightliner, FMC (Marine & Rail Equipment Division) and the location of major shipyards (Todd, Tacoma Boat, Lockheed Shipbuilding, Dillingham, Foss Tug, etc.).

Consumer Products:

A substantial retail apparel and footwear

market is located in this area supported by seven major retailers. Five of these are branches of national organizations and two are regionally based but all have autonomous buying authority.

The annual market for office furniture is approximately \$100 million, one per cent of which is presently imported from Canada — now well known for its contemporary design and high manufacturing quality, particularly in office

furniture. These characteristics should be strongly emphasized.

The foregoing description offers only a partial insight into the markets of the Pacific Northwest states. Because of the growth and the high level of disposable income, there is close competition in virtually all goods. Suppliers must be prepared to offer extensive product support to their agents/representatives/customers. Pricing **must** be offered on a delivered basis with all freight, duty, insurance and brokerage fees included. This is the only way in which local businessmen can make accurate comparisons with competitive products.

When seeking assistance from the Consulate, please refer to the **Checklist for Export Marketing** reproduced on these pages. This very worthwhile document asks basic questions about your exporting efforts under various heads.

And Jim Murray (Consul and Senior Trade Commissioner) and his staff are ready to help. If you are lucky (and a basketball fan) your visit may coincide with a Supersonics' game!

Canadian Consulate General
412 Plaza 600, Sixth and Stewart
Seattle, Washington 98101
Tel: (206) 447-3820

Checklist for Export Marketing

Your Product:

1. How would you describe your product and its application?
2. What type end-user buys your product? Does he buy from you primarily because of price? Quality? Service? Other?
3. Who are your main competitors?
4. What advantages do you have over your competition?

Your Market:

1. What is your present share of the Canadian market for the product you wish to export?
2. Are you already exporting it? To which countries? Export earnings?
3. Why did you choose this market for your current export effort? What are your selling objectives?
4. What currencies do you quote in and in what terms? FOB, C & F, CIF? What are terms of payment? Are there discounts for prompt payment?
5. How do you wish to sell in the export market: direct to end-user? Through commission agent or commission merchant? Stocklist? Other?

Your Representative:

1. What type of representative do you prefer — big or small? Regional or national? Special technical or capital requirements? Willing to stock parts? Selling to what type of retail outlets?
2. What are desirable co-product lines? What are forbidden competitive products?
3. What commissions do you pay in other markets? Do you have any fixed idea on commissions you will pay in this market?
4. What promotional aids can you provide your representative: Literature? Technical training? Promotional budget for trade fairs and advertising?
5. Do you expect to make a final selection of market representative after completing your interview programme in this market?

Solo fair, singular success

Company participation in international trade fairs throughout the world has long been encouraged by the Department of Industry, Trade and Commerce as a necessary and successful means of introducing Canadian products to international consumers.

However many of Canada's posts abroad, particularly in the United States, are now also making use of the solo trade fair technique which is directed at a specific product or line of products and features Canadian products exclusively. While most of these events are directed at the food and beverage industry and the furniture market, there are no restraints on the type of product that can be featured.



Former Consul General, J.C.G. Brown, now retired, and Jim Murray, Consul and Senior Trade Commissioner at Seattle, open the highly successful Canadian Building Material Show held at Seattle's Bellevue Holiday Inn. On site sales of more than \$825,000 were concluded and prospects for repeat business were excellent.

The Canadian Building Materials Show held in Seattle early this past spring is a case in point. Initiated by the Seattle Consulate General, the fair attracted some 800 architects, specifiers, contractors and representatives of building supply houses, wholesalers and specialty supply houses.

These firms buy materials from all over the world and are continually looking for new products, seeking cost leverage, alternate sources, unique designs, and timely, reliable sources of supply.

Major contributors to the show were Alberta, British Columbia and Ontario. The provinces did all exhibitor recruiting and shared the financial cost. The consulate provided administrative and financial management, co-ordinated the activities of the provinces and supervised all planning and promotional work and operation of the show.

The initial plan was to provide 30 booths, 10 for each province, but the final count was 43 and others had to be turned away because of lack of space at the Bellevue Holiday Inn in suburban Seattle. In addition to the building product display, Canadian foods and beverages were featured at the hospitality suite.

As might be expected, the exhibits included a number of end products made of wood such as kitchen cabinets, wood-veneer mouldings and wall

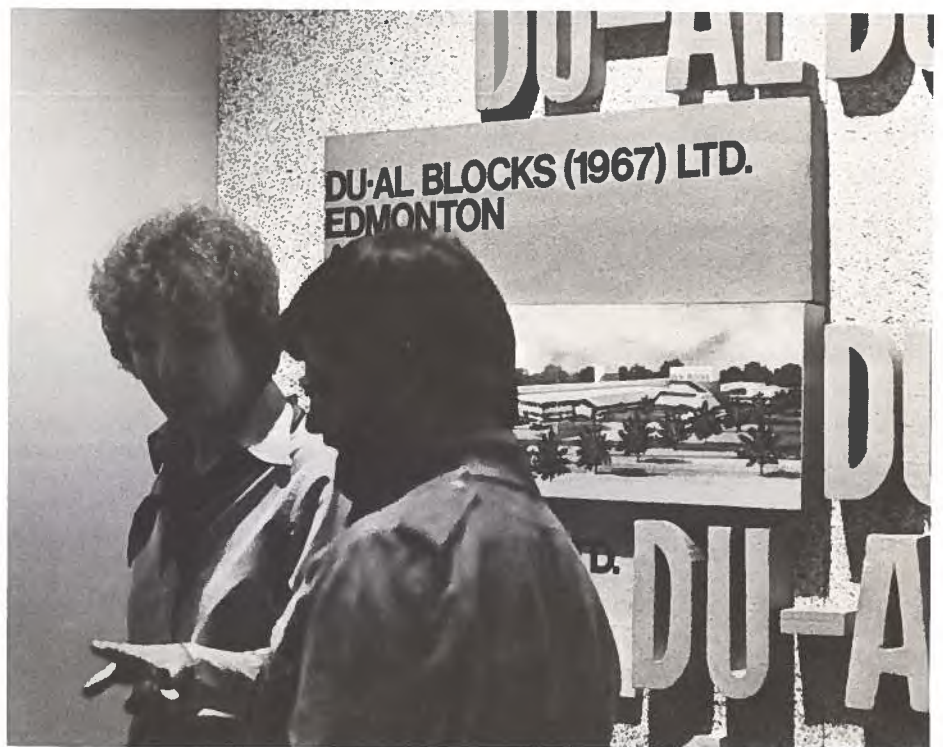
panels. Other products included carpets, prefinished residential steel fences and cast iron spiral staircases.

Several systems using technology developed for Canada's short building season and cold weather were shown and well received by builders in the colder areas of the Northwest. One was developed at the University of Toronto for repair of concrete surfaces on highways and bridges. Another was a low cost air-supported temporary shelter, as well as precast forming systems for poured concrete walls which employ insulation materials as part of the completed wall.

That the show was a success is attested to by the fact that more than \$825,000 worth of orders were written at the show in only two days, and a "son of" show has been recommended by the Seattle post for 1980, to be held in larger premises.

For further information on trade fair participation generally, contact:

**G.V. Tunnoch, Director
Promotional Projects Branch
Industry, Trade & Commerce (3211)
235 Queen St.
Ottawa, Ont. K1A 0H5
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Mara Osis, Du-Al Blocks Ltd., Edmonton, interviews a fair visitor to help in the market assessment undertaken by her firm at the show. Market prospects for the firm's lightweight, sound absorbent building blocks are excellent.

Looking to the future

“Prospective suppliers should have positive proposals for ways in which they can help the auto industry meet the challenge of the eighties,” says W. G. Huxtable, Consul and Trade Commissioner, in the following. . .

Report from Detroit

The trade and industrial development area covered by the Detroit Consulate is Canada's largest in terms of exports. It represents the prime market for Canadian manufactured products outside the domestic market itself. And Detroit is the major port of entry for Canadian exports to the U.S. market.



Port of entry for a large percentage of Canadian manufactured products, particularly under the Canada — U.S. auto pact, Detroit has been undergoing a massive downtown renewal. Cobo Hall (lower right) is the second largest convention centre in the United States. The building, with rooftop parking for 1,200 cars, seats 18,000 persons and the circular arena adjacent to it accommodates an additional 12,000. Nearby on the waterfront is the Detroit Plaza Hotel in Renaissance Center, a five-tower complex (upper right).

In total international trade based on dollar value of exports and imports, the Detroit Customs District ranks second only to New York in imports and third behind New York and New Orleans in exports. The post territory, which includes the states of Michigan and Indiana, plus Toledo Ohio's metropolitan area (less five counties of Indiana served from Chicago), is to a large extent tied to the fortunes of the auto industry — an industry in the throes of continuous and rapid change.

Sparked by the current chronic gas shortage and rapidly rising prices, the industry is frantically trying to meet not only government regulations but also buyer resistance to the gas-guzzling monsters so popular in the past. This in turn is forcing major changes in the mechanics, materials, size and appearance of automobiles.

How well Canadian manufacturers can meet the challenges of the automotive industry will, in large measure, determine the level of exports to the post territory.

For this reason, it may be well to investigate some of the trends which will affect this market in the years to come. Even more

demanding fuel economy and emission standards will have to be met over the next few years. The fleet mileage requirement has been set at 27.5 miles to the U.S. gallon in 1985 and passive restraints for driver and passengers have to be in place by 1982.

The most dramatic development would be a two-passenger city automobile powered by an aluminum type motorcycle engine, envisaged by Ford's Vice President, Design, Gene Bordinat. The car would weigh 1,000 to 1,200 pounds and achieve 50-60 miles per gallon. The styling would be aerodynamically efficient and sporty. It is expected that the main body parts will be reinforced reaction injected plastic mouldings with the front and rear sections of the body each formed in one piece. The car will be available in the near future and certainly well before the end of the eighties. In fact "Automotive News" spotted a car which looks just like this being tested around Detroit, and speculated that it could be for General Motors.

With increased specialization in autos, it is likely that the typical family will have a

variety of autos available to meet their specific needs — commuting, family tourist travel and recreational.

Despite the intense effort to develop batteries suitable for at least the city type car, general expectations in the industry are that the internal combustion engines will continue to power the vast majority of personal transportation vehicles. No alternative to the gas and diesel engine is expected to exceed production rates of 100,000 units per year up to 1990. But there will be major changes in the way the internal combustion engine is controlled and operated.

Preliminary results of an in-depth survey conducted among auto industry executives by the University of Michigan indicate that by 1990 25 per cent of both gas and diesel engines will be turbo-charged, and only five per cent will be electric or hybrid vehicles, 72 per cent of U.S. cars will use four-cylinder engines, 25 per cent will use V-6 and the balance will be in-line six-cylinder engines. Seventy per cent will have front mounted engines and 25 per cent will be powered by diesel.

The Canadian branches of U.S. owned auto parts producers are being brought into this process of change for the 1980's. Participation by independent parts producers is also underway, but there is intense competition from the U.S. side of the border. Prospective suppliers should have positive proposals for ways in which they can help the auto industry meet the challenges of the eighties. Such proposals will be welcomed by engineers and buyers, whereas a "what can our company sell to you" approach will receive very little encouragement. While the automotive trade dominates Canadian exports to the area, high disposable incomes and a large population base makes the territory an attractive market for a wide range of consumer and industrial products. Heavy expenditures on new plant and equipment by the auto companies will provide a ready market for machine tools, construction materials and auxiliary equipment.

The economic and personal ties between Canada and the territory are so extensive and intimate that they can be likened to intra-family relationships. Therefore there is a discernable interest by industry and commerce to look to Canada for advantageous sourcing of supply. This natural tendency is being reinforced at every opportunity by the consulate staff.

If you have a product which is produced on a competitive basis, chances are it has sales potential in this lucrative market. The consulate staff of six under T. F. Harris, consul and senior trade commissioner, is always ready to help you make the necessary contacts, arrange meetings and assist in answering questions pertaining to trade.

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In this special report from Dallas, Canada's Consul and Senior Trade Commissioner, G. D. Valentine, examines the all-important question of energy in the context of Texas — and what it all means to Canadian equipment and service suppliers. It may be worth your while to take a look at . . .

The Texas Energy Scene



Oil rig, Gulf of Mexico.

Increased interest in Texas' offshore resources and the need for improved techniques for the recovery of deeper oil has increased the market for Canadian supplies and services according to Doug Valentine, Consul and Senior Trade Commissioner in Dallas. Texas is also a primary market contact for worldwide oil and gas exploration and development projects. This "Texas Connection" through Dallas and Houston has resulted in orders being placed for houses, building materials, mining and oilfield equipment and even some food products from Canadian suppliers.

No matter where one goes in the world today the subject most widely discussed by politicians, capitalists, socialists or the unemployed is energy and perhaps nowhere is the subject more interesting or problematical than in Texas. For more than a century, Texas has contributed about 25 per cent of all of the energy ever produced in the United States, the world's largest consumer, so that the shock of 1973 hit Texas with a great impact and the subsequent shocks are still reverberating around the state like ripples in a pool. The recent events in Iran, the gasoline line-ups in California and other parts of the United States, and the enormous price increases by OPEC and other producers in recent months are enlarging the ripples to such an extent that they may never disappear.

When energy is mentioned to the average person it means oil or natural gas and that subject is also predominate in the board rooms and private clubs in Texas. Oil and gas terminology is frightening to the average person and only experts are able to discuss it with any degree of understanding. Chiefly this is due to the enormous numbers used which are usually in the millions, billions and trillions and also because of the various terms of barrels, tons, cubic feet, calorific content and with the metric system now becoming more commonplace, the picture is becoming even more complicated. More recent terminology includes quads, gigajoules and megajoules so it is no wonder the poor consumer is confused.

Even experts however disagree with

the present reserves, potential reserves, possible reserves, proven reserves etc. Geologists, geophysicists, producers and government officials all have their own formulae and interpretation of statistics, and none of them make the situation clear to the layman. What it boils down to is how much longer will John Q. Public be able to run his car, heat his home and produce the millions of items which are now part of his daily life from fertilizers to garbage bags, and at what cost. For this there is no answer agreeable to everyone. To Texans as well as the rest of the world it has become the energy crisis. For the Canadian manufacturers of almost anything it is not only a major problem but more importantly, at least for the short run, it could also be a major opportunity on which he can capitalize. For it is in Texas that the action is taking place to solve the crisis and not just talk about it.

The Texas oil industry today is probably as strong as it has been in more than 20 years, even though production is decreasing. Partly this is due to the higher prices which have stimulated drilling and kept the total value of Texas oil and gas production on the rise, if not the total volume produced. The price of the average barrel of oil is now more than quadrupled in the past ten years and natural gas prices are up seven to ten times. Drilling therefore in the U.S. in general hit a 20-year high in 1978 and as one-third of the U.S. drilling takes place in Texas, it is probably one of the most drilled-over pieces of real estate in the world. The area has been compared to a sieve but more appropriately it is like a pin cushion. Many of the estimated 286,000 holes punched into Texas still have pumpers sucking out the world's most desirable resource. Even so, of the estimated three million square miles identified in the United States as having oil and gas potential by geologists, drillers have tested only about two per cent or 50,000 square miles of land.

Although most experts agree that the chances of finding any additional on-shore crude oil reserves in the United States (excluding Alaska) are slim, some point out at least two domestic oil "frontiers" remain. These are the recovery of already discovered oil

locked in the ground, and deeper production from presently producing fields. It is economics that so far have prevented this from happening but perhaps the crisis will modify the definition of the word economical. Energy is not going to be more economical in the future and this fact is being faced daily by all concerned.

Experts say, and again experts can be and often are at variance with each other, that only one-third of all the oil that has been found in the U.S.A. has been brought to the surface using natural physical forces. Some experts go on to say that if only half of what is left in the ground could be recovered the amount would exceed all the oil produced in the United States to date.

This is somewhat phenomenal if true but the statement is complicated in that the word "could" implies economical recovery. Secondary recovery and tertiary recovery through water flooding, nitrogen sweeps etc. cost money and oil would have to reach \$25 to \$30 per barrel to recover perhaps an additional 9 to 10 billion barrels. The technology would also have to guard against the risk of well blockage, a serious problem which could upset even the experts.

It is said that deeper drilling will be a trend in the future when prices justify this expense both in gas and oil, but this future date is perhaps already upon us, as witness the recent price increases. Drilling costs for natural gas for example have a somewhat simple rule of thumb. They double for approximately every 2,800 feet of penetration. For example a \$600,000 well drilled to 10,000 feet would double to \$1.2 million if drilled to 12,800 feet. To go to 20,000 feet therefore, the price of natural gas would have to increase substantially. To put things in perspective, the average depth of wells drilled in the United States in the last three years has been estimated to be between 5,000 and 6,000 feet. Superior Oil Company of Houston has recently contracted for a 13,000-foot offshore well that will cost \$4 million. (As a nostalgic aside, the first oil well in Texas drilled in 1866 went down to a depth of 106 feet).

Statistics can be quoted to prove or disprove almost anything but according to the United States Geological Survey roughly 30 years' supply at the present

U.S. output rate of natural gas lies undiscovered (much of which may be below 20,000 feet) and that from six to 20 billion barrels of undiscovered recoverable oil still lie in Texas.

What does this mean for Canadian equipment and service suppliers? The answer is evident. A huge market for all items connected with drilling from rigs and services to mud and drilling chemicals. Opportunities for Canadian deep drilling techniques and tertiary recovery services which will no doubt be further developed in Canada or possibly in Texas in conjunction with local firms. Opportunities exist for Canadian suppliers of gas treatment services and equipment as local firms will probably not be able to meet the demand.

The competition will be formidable as Texas is not only the centre of production of energy but is also the centre for the suppliers and equipment manufacturers. Many of these however are working at capacity and are expanding. High quality, quick delivery and attractive prices will be looked at carefully and by doing their homework, Canadian firms can and will find markets in Texas.

There is another aspect about doing business in Texas which is rapidly coming to the forefront. That is the spin-off which can be obtained in markets around the world by establishing good relations and contacts in the Texas area. Since most of the world's oil and gas and petrochemical producers have turned to Texas for their expertise in these fields, there is a whole new market developing here for Canadian firms interested in marketing in the Middle East, South America and the Far East markets. The range of products is almost limitless but primarily they are connected in some way with the rapid energy developments taking place around the world.

Contacts can be made in Houston, Dallas, Tulsa and New Orleans for a wide range of products both closely and distantly associated to energy. From hotel equipment to cement, houses to bathtubs, peat moss to chemicals, products are being contracted for and purchased by local firms with final destination to exotic places. This "Texas Connection" through Houston and Dallas has resulted in orders being placed for

houses, building materials, mining equipment, oilfield equipment and even certain food products. This therefore is an area that should be on the travel itinerary of any and all exporters who have excess competitive capacity and who are not afraid of delving into and solving intricate transport and invoicing techniques, customized manufacturing and subcontracting.

The energy future therefore may not be as frightening as the newspapers report. In Texas at least it is looked upon as a challenge which can be met in many ways. Energy PRODUCTION is the byword here and given Texas bravado and exuberance the energy sector will be predominate in this part of the world for the foreseeable future.

Other forms of energy are also being given attention in Texas in addition to new and exciting exploration and production of conventional energy. There are experiments and developments going on in solar energy such as the Crosbyton Project scheduled for completion in 1985 to generate 5,000 kilowatts of electrical power by solar use to run the town of Crosbyton — population of 2,500 people. Texas Instruments has also made an interesting breakthrough in the field of storing solar energy. The world's first "geopressured-geothermal" well to develop superheated (300 degrees Fahrenheit) high pressure water is presently being drilled south of Houston on the coast. On the high plains they are trying to capture the wind and gasohol experiments are being carried out on algae. Cotton gin waste is being burned to generate electricity and in the Rio Grande Valley they are talking of converting sugar cane into alcohol. These various forms of energy, called the "exotics" by Texas Governor Bill Clements, are keeping Texas in the centre ring in all future developments in the energy field. Now is the time for Canadian energy related researchers, equipment manufacturers and suppliers to come to the heart of the action!

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Come to Italy!

urges S. G. Harris
Minister (Economic/Commercial), in the following. . .

Report from Rome

The Italian Economic Climate

All in all the Italian economy seems reasonably well set to weather 1979 and should prove to be a good market for Canadian products, both in raw materials for industry and in new industrial technology.



In international trade Italy has fared well in the past year with a virtual balance in imports and exports for the first time in some 30-odd years and a very large surplus on balance of payment accounts due principally to a booming tourist business. Looking back to 1976, in the wake of the oil crisis, Italy faced virtual bankruptcy. Foreign exchange reserves had dwindled to a mere \$600 million and the government and international indebtedness was \$22 billion. The government had to take strong measures. The lira was devalued, exchange controls imposed and restraints were placed on all non-productive spending. The IMF and West Germany came to the country's aid with \$2.5 billion of loan money. Severe as these measures were, events have proved them wise and the country as a result now is enjoying a good measure of economic prosperity. With the lira maintaining rough parity with the United States dollar over the past two years (contrary to many expectations) and consequently being one of the cheaper currencies in Europe (vis-a-vis the rising French franc, German mark, etc.), Italy's tourist attractions have proved irresistibly cheap for other Europeans. As a result, the country ended 1978 with an \$8 billion surplus on balance of payments account and total gold and foreign exchange reserves of something approaching \$15 billion. All this after having made early repayments on the extraordinary IMF and German loans incurred in 1976 when the country was in dire economic crisis.

This remarkable economic performance has been achieved largely through export lead growth, but at a certain cost domestically. Inflation, which was 17 per cent in 1977, declined to 12 per cent for 1978, but unemployment has remained obstinately high at 7-8 per cent.

The outlook for the remainder of 1979 is quite good even if inflation appears to be slightly on the increase and possibly will exceed 1978's 12 per cent figure. There is an overall expectation of an additional \$2-3 billion in the balance of payments accounts by year-

end. Despite the disrupting effect of the OPEC price increase on oil which hits Italy extremely hard, the country appears to be in a healthy economic state with an expansive outlook.

In order to combat chronic economic problems, the former Italian government of Premier Andreotti earlier this year pressed forward its three-year economic plan, named the Pandolfi Plan after the Minister of Finance, which was designed to correct domestic economic woes. Some measures regarding income tax collection, the energy plan, health services and pension changes were passed through Parliament. Further measures would need to be put into effect to improve the internal economic situation, reduce the public sector deficit, increase employment, curb the rising trend of industrial wages and develop the industrially-backward south. The political uncertainties following the national election in June intervened in this process, but with a new stable government in power, other parts of the program could be relaunched. A notable achievement in the past year or two has been a marked gain in productivity on the part of Italian industry and a real reduction in time lost due to strikes. Italian industry is still somewhat behind other industrialized countries in terms of productivity but rising wage rates are encouraging industry investment in labour saving and more automated equipment. This effect is now showing up in statistics. Thus, in spite of publicity given to domestic strife in the international press, much real progress is being made in Italy.

Considerable attention is being devoted to the public sector industries which account for some 38 per cent of the gross national product, and are a unique feature of the Italian scene. These giant industrial groups pervade almost every sector of industry and finance, but unfortunately a good many of them are losing very large sums of money. Since the priorities of state industries are oriented not solely to profit, but also toward social benefits in terms of creating employment and developing the depressed areas of the South, one must, to some extent, discount these losses as part of the state welfare system. Nevertheless, much at-

tention is now being focussed on the management of these companies and measures are being taken to ensure their economic viability for the future.

It should also be remembered that a very large part of Italian industry operates outside the official economy — the gray area of backstreet shops, home industries, etc. This “parallel economy” in Italy is estimated to account for anywhere from 15 to 30 per cent of the GNP, depending on whose estimate you believe. It is, however, a sector about which few statistics exist, one which pays no income tax and which seems to have struck its own accommodation with union demands for higher wages. It is reputed to be the most efficient sector of the Italian economy and many observers give credit to it in some considerable measure for the increasing competitiveness of Italian industry in the international market place.

Canada/Italy Trade

Italy is among Canada's top ten export markets and in 1978 for the first time, total two-way trade exceeded \$1 billion. Further, last year for the first time Italian exports to Canada exceeded Canadian exports to Italy. Exports to Italy amounted to \$481 million, while Italian exports to Canada amounted to

\$524 million. The slight drop in Canadian exports to Italy is accounted for almost entirely in terms of reduced wheat and grain sales. As a result of Italy having had a good crop last year, some \$50 million of trade in cereals was lost to us, while reduced operations in the steel and non-ferrous metals industries which take Canadian coal and ores accounted for the rest. We may, however, take comfort from the fact that our exports of fully manufactured products from Canada to Italy continue to increase even if they still account for only a modest portion of our total trade.

Canadian trade and economic relations with Italy in the field of industrial co-operation continued to improve during the past year and were highlighted by no less than four industrial co-operation missions, one in aerospace, one in space communications, another general mission featuring contractors and consulting engineers, but also a few companies in housing and industrialized products and finally a meeting on co-operation in the defence area under the Canada-Italy Research and Development Program. All of these missions have as their objective the identification of joint areas of co-operation from the development of investments to licensing the manu-

facture of the products of one country in the country of the other. Another feature which has developed from this exercise is the possibility of co-operation between Canadian and Italian companies in third country markets. As one Italian engineer put it “International projects are getting so big and so expensive that we cannot afford any longer to take them on alone.” Italian companies therefore need to find others with which they can co-operate on projects in third country markets, particularly in the Arab countries. These can sometimes be companies which have complementary skills or they can even be competitors who can share the work, and the risk, with the Italian partner.

In an increasingly competitive international market, middle-ranking countries like Canada and Italy must co-operate to compete with the trade giants of the world. Moreover, Italian trade outside the European Economic Community is growing faster than trade within the Community. Both countries in fact, while placing high value on their present traditional trading partners, are also seeking to diversify trading patterns. Co-operation in third country markets, industrial co-operation across-the-board in licensing joint ventures, joint investments, research and development projects, are the way of the future for our two countries. Both seem to have made a successful start and intend to pursue industrial co-operation to a more fruitful end and closer co-operation in the industrial and economic sector.

In summary, we see Italy as an interesting and increasingly more healthy market for Canadian exports. Our biggest complaint with Canadian businessmen is that too many of them are bedazzled with the prospects, sights and sounds of Italy's glamorous northern neighbours. We feel it is time you looked at a market more your own size — Come to Italy! — the weather is better here too!

Commercial Division
Canadian Embassy
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(DOMCANI)



This regasification plant in the Panigaglia section of La Spezia, a major seaport on Italy's west coast, is representative of the type of high technology project in which Canadian firms can co-operate with Italian firms. While this one is totally Italian, similar projects in third world countries "are getting so big and so expensive that middle ranking countries like Italy and Canada cannot afford any longer to take them on alone." Recent missions have explored joint ventures to share the risk and work.

Areas of the world where the direct sales potential for Canadian exporters is small can sometimes be useful in other ways — as a trans-shipment base to serve larger markets, for instance. The following report from the Canadian Embassy in Rome brings out some interesting points concerning just this sort of place:

MALTA — “independent” island in the Mediterranean sun

One hundred and fifty years of the British presence on the island of Malta ended with the closing down of the last British bases on March 31, 1979. This represents the final departure of a military establishment which numbered close to 25,000 men at its height without counting the many visiting British and NATO ships and aircraft which landed or passed through Malta. As a result there will be a reduction of 14 million Maltese pounds (one Maltese pound = U.S. \$2.70) of direct income (rent) to the national government and a further estimated loss of 14 million pounds from expenditures of service men and their dependents on the island. Over the past three years, the rent represented about 13 per cent of government current revenue.

Despite this apparent loss in revenue the island is prosperous largely because of its tourist trade and plans to industrialize are moving ahead well with encouragement being offered towards the establishment of new small industries.

The government has taken over the repair facilities at the British naval base and is converting them to domestic use for repair of merchant ships and tankers plying the Mediterranean. Malta also sees her economic future in part as an entrepôt port in the Mediterranean, using her strategic position and excellent harbour facilities as a distribution and resource centre catering to the oil rich but less developed countries of Arab North Africa and the Middle East. With her traditional close ties with Europe (Malta is an associate state of the European Community) and her knowledge of nearby African countries, she seems well qualified to perform this role.

At the March meeting of the Council for Security and Co-operation in Europe (CSCE) held in Valletta, the Maltese government put forth a number of proposals which clearly enunciated Malta's perceived role as an entrepôt and service centre for the Central Mediterranean and North African regions.

Among the more notable were:

- (a) Malta as a regional medical centre of excellence;
- (b) Malta as the seat of a Permanent Regional Headquarters for the CSCE or an outgrowth of it;
- (c) Malta as a storage and trans-shipment facility for the region;
- (d) Malta as a repair and supply base for shipping lines and airlines.

In the end, while lip service was given to some of these proposals and a few were passed on to the next meeting for consideration, few were in fact acted upon. They do, however, illustrate the direction in which the island would like to develop, and its own perception of its future role.

Despite many positive aspects in its economy, there are, nevertheless, some elements of instability about the island centering largely on the unknown predilections of the labour government and its future direction. The government for the past two

years has been seeking “friends,” and budgetary economic assistance to the tune of 28 million Maltese pounds (approximately U.S. \$77,280,000) — this sum representing the former income derived from British forces which have now left. While France, Germany, Italy, Libya and Algeria have all been approached for help, none so far has agreed to ante-up and until one does, it is difficult to predict which way the government will “lean,” and what its future orientation may be.

While some foreign firms (mainly European and British, but a few American and even one Canadian) have recently established manufacturing or assembly operations on Malta to take advantage of the highly skilled labour force, shipping facilities and pleasant climate, others have quietly closed down and moved elsewhere, not wishing to trust their future to an uncertain political environment.

Very little of these political goings-on are evident in the business life of the Island. Tourists (overwhelmingly British) keep coming in increasing numbers and businessmen are continuing business as usual, endeavouring to take new initiatives in terms of presenting Malta not only as a market in itself, but as a base in the

Mediterranean from which one can serve the markets of North Africa.

They have major advantages in this regard. For example, it is almost impossible to get large ships into the crowded ports of Algeria and Libya to unload bulk materials such as grain, lumber, etc. because of the inadequate port facilities. It is possible, however, to use the excellent dock facilities (the former British Naval Base) in Malta as a trans-shipment point and to send cargoes by small boats into the many small harbours along the North African coast. This trans-shipment trade seems to be expanding and doing well. Just recently a Brazilian timber group formed a joint venture with the Malta Development Corporation to warehouse lumber and plywood on the island for local use and the trans-shipment to North African Markets. A similar scheme is underway for cereals and grains operating through a consortium of feed merchants and millers using old British warehouse facilities for storage.

Companies operating in difficult countries from the point of view of culture and climate such as Libya, are finding it convenient to establish the families of oil drillers, technicians, businessmen, etc. in Malta. The men make forays of two-three weeks duration into Libya or Algeria, returning to their families in Malta for rest and recuperation.

Canadian trade with Malta remains small and erratic with fluctuations as individual consignments arrive in a given trade year. We have just seen the completion of a \$1 million CIDA loan to Malta with arrival in April of the final consignment of telephone cable. Further commercial business is expected. A new Libyan-Maltese commuter airline has been established on the island to serve oil companies and businessmen who need to commute to Libya, Algeria, etc. The airline has placed an order for two Twin Otters with the likelihood of others following.

And 1978 saw the investment by a Canadian firm, Bralorne Resources of Calgary, in a major establishment for manufacturing mobile homes in Malta for sale to markets in North African countries and the Middle East.

Some facts about Malta

With a surface of 316 square kilometres, a population of 327,400 and a 1978 GNP estimated at U.S. \$793,800,000, Malta is a relatively unknown market for Canadians. The island has a fairly well balanced economy having 5 per cent of its GDP coming from the Agricultural and Fisheries sector, 42 per cent in the secondary sector and 53 per cent in the tertiary sector. Tourism receipts increased by 45.5 per cent in 1978 and accounted for one third of the tertiary sector. Exports in 1978 reached U.S. \$367 million while imports rose to U.S. \$539 million. The rate of inflation over the past three years averaged only 6 per cent a year and unemployment has remained fairly stable at about 4 per cent of the labour force. For further information please contact **Western Europe Division II, European Bureau (27)**, Department of Industry, Trade and Commerce, 235 Queen St., Ottawa, Ontario. K1A 0H5. Tel: 996-6966.

Dateline Ottawa —

Roles of I. T. & C. Ministers

As this issue was being prepared to go to press, Minister of Industry, Trade and Commerce Robert René de Cotret issued a statement in which he outlined the delegation of responsibilities within his portfolio. Canada Commerce readers — members of the business community — will doubtless wish to refer to the assignment of these responsibilities reprinted here. Excerpts from recent speeches by the three Ministers will also help to illustrate their individual roles . . .

In describing the sharing of responsibilities with his colleagues — the Hon. M. Wilson and the Hon. R. Huntington — the Minister emphasized the value of the team approach.

"It is important that Industry, Trade and Commerce operate as one cohesive department," said Mr. de Cotret. "The three Minister team will ensure the Department does not separate into 'Trade' and 'Commerce' with little communication between them. Also, when we have the experience and talent of a Mike Wilson or a Ron Huntington available we should have their involvement in all major matters affecting the Department."

Mr. de Cotret will retain overall responsibility for developing industrial and trade policy, for making recommendations to Cabinet, and for the formulation of new legislation. At the same time, the Minister stressed that the delegation of specific operational responsibilities would achieve maximum efficiency of departmental functions.

Within the Department, the Minister of State for Industry and Small Business will be responsible for domestic industrial development. This includes R & D, productivity, and domestic marketing, as well as the various adjustment assistance and incentive programs. Continuing to be a major concern will be Small Business. Mr. Huntington will also be responsible for:

- (1) the Federal Business Development Bank
- (2) the Metric Commission
- (3) the Machinery and Equipment Advisory Board
- (4) the Textile and Clothing Board
- (5) the National Design Council
- (6) the Construction Industry Development Council
- (7) the Standards Council
- (8) the Enterprise Development Board
- (9) Canadair Ltd.
- (10) de Havilland Canada Ltd.
- (11) Canadian Patents and Development Limited

All general trade and tourism matters will be the responsibility of the Minister of State for International Trade. This will include trade relations and both bilateral and multilateral trade negotiations. As well, foreign marketing, export financing and import monitoring will be Mr. Wilson's responsibility. Within that general mandate are the following organizations:

- (1) Foreign Investment Review Agency
- (2) Export Development Corporation
- (3) Canadian Commercial Corporation
- (4) Canadian Organization for the Simplification of Trade Procedures (COSTPRO)
- (5) Administration of the Export and Import Permits Act

In his news release Mr. de Cotret remarked that, in view of the particular experience and personal and regional interests of both Mr. Huntington and Wilson, he would be delegating to them responsibility for a number of specific tasks and issues that do not necessarily conform to their titles. The Minister anticipated, for example, that Mr. Huntington would take an active interest in further trade development with Pacific Rim countries whereas Mr. Wilson would be responsible for the Task Force on Industrial and Regional Benefits for Major Capital Projects. The Minister emphasized again that this sharing of responsibilities would strengthen the team approach within his Ministry.

"By delegating responsibility, we will be better able to devote particular attention to specific issues," Mr. de Cotret said. "Our regular ongoing communication will also ensure that we have an integrated approach to industrial and trade policies and programs and between domestic and international issues."

Industry of the Future

The following are excerpts from a speech by the Hon. Robert de Cotret to the Canadian Chamber of Commerce 50th Annual Meeting in Vancouver, on September 23.

The Minister reviewed the challenges ahead and talked of increasing wealth in Canada; Mr. de Cotret went on to suggest the steps that are urgently required to bring this about.

"Governments and the private sector must collectively determine how to establish an environment in which 'Industry of the Future' of this country can flourish. Many tools are at our disposal; support for R & D and innovation, assistance to small business, aid for labour force development and enhancement of skills, to name but a few.

"I used the term 'Industry of the Future'. I am not suggesting that certain historic sectors of the Canadian economy will be 'disowned' in terms of capturing the attention and concern of Government. What I am saying is this: let's avoid the tendency of devoting inordinate attention to what I call 'safety net' operations, that is, a focus on industries that are clearly the victims of global shifts in markets, process technology and other factors or companies that have failed the critical test of the market. We will ensure that the package of measures available to help workers in these adjusting industries or companies is sufficient. In this way, we can look to the future while being assured that those industries that have been a basis of national strength in the past are not neglected.

"Additionally, we must make a special effort to improve the productivity of Canadian industry. We need to build more information and 'know-how' into our production processes and products. We have to do this to keep Canada competitive in world markets in the face of rising energy and raw material costs. We must have a higher degree of processing of our natural resources including our agricultural products and fisheries and, finally, we have to improve the environment for R & D."

"... It is clear then that we have to be more aggressive on the trade front. We must seize the emerging market opportunities of China, South Korea, Indonesia, Mexico and South America, as well, of course, as expand exports to traditional trading partners such as the U.S., Japan and the E.E.C. A great deal more must be done by both industry and government to pursue our trade potential. It is in recognition of this fact that the Prime Minister specifically appointed a Minister of State for International Trade to assist me and to devote his full attention to promoting trade. The key role of government is opening doors and providing a framework to assist business. We have already begun to move in this direction with a major review of the Government's export promotion instruments. And we will continue to move aggressively in this area."

National Economic Development Strategy

"The Government has identified six principles to give structure to and provide a foundation for the Government's support of forward movement in our nation's economy. The six cornerstones of the National Economic Development Strategy are:

1. Economic Partnership
2. Reliance on private enterprise
3. Innovation, productivity and investment
4. Building on provincial and regional strengths
5. Economic infrastructure, and
6. Human resource development."

Economic Partnership

"This Government intends to develop stronger working relationships with the provincial governments, with business and with labour, to ensure dialogue and co-operation in economic development decision making.

"To further this process, the Government intends to convene a 'National Economic Development Conference' in the near future. This will bring together the major economic participants to determine how Canadians can best respond to the challenges and opportunities facing them in the 1980s. The Conference is a concrete example of the Government's commitment to forge a new Economic Partnership."

Reliance on Private Enterprise

"This Government intends to place greater reliance on private enterprise to promote economic development."

"Government must let the private sector get on with the job. That is why we have initiated a major review on deregulation — directed by the Minister of State for the Treasury Board — to reduce to the extent possible the burden of government in the activities of business . . ."

Innovation, Productivity and Investment

"This Government intends to have greater emphasis placed on increasing the productivity of Canadian industry, on fostering innovation, and increasing the level of productive investment in the Canadian economy: . . . We will shortly be announcing a program of specific measures in support of R & D."

Economic Infrastructure

"(We) intend to place emphasis on the availability of transportation facilities and energy commodities to enable Canadian industry in all regions of the country to operate efficiently and competitively.

"Energy and transportation are critical to the well-being of all of our industrial systems. That is why the Prime Minister announced on Friday that the Government is acquiring 2,000 additional grain hopper cars and rehabilitating 2,000 more box cars to help bring grain to market in the early 1980s. That is why it signed a memorandum of understanding for a new grain and oilseed terminal at Prince Rupert which will be able to put more than 150 million bushels every year into export markets. That is why we are conducting a comprehensive review of our transportation policies. That is why we are designing an energy policy which will achieve self-sufficiency by 1990 (and) will ensure security of supply to Canadian producers and consumers."

Human Resource Development

"Our Government intends to put a greater 'investment' into manpower development and a larger effort in human resource management, including efforts to improve industrial relations. We will be announcing shortly our strategies to remove impediments and to enhance the full participation of women, natives and youth in the labour force. We will assist older workers in adjusting industries and will seek to tap the latent talents of Canadians by ensuring that they remain one of the highest skilled work forces in the world."

Building on Provincial and Regional Strengths

"This theme I put last not to diminish it but to emphasize it. Any national economic development policy must be sufficiently wide to allow each region to fulfill its aspirations and objectives. Each part of this country has its own particular resource strengths and comparative advantages, whether that be a fishery in Atlantic Canada or mineral wealth in British Columbia. We must work then at the national level on policies by which 'the whole is greater than the sum of the parts', by which we build on these provincial and regional strengths. With this in mind, we will seek to strengthen relationships with provincial governments and be sensitive in our economic development strategies to provincial requirements."

Small Business and Industry

The Hon. A. R. Huntington, Minister of State for Industry and Small Business, also spoke to the Canadian Chamber of Commerce in Vancouver. He described himself as "one third of a new team" in ITC and pointed out that his portfolio included not only small business but industry of all sizes. Mr. Huntington went on to stress his belief in the importance of entrepreneurial talent, the talent of the individual. . . the commodity "we seem to be suffering an alarming shortage of today in this country."

"Most bang for the buck"

"What short and medium term policies do I feel we can best inject into the system to restore the basic incentive aspects of the business world, and increase the velocity of entrepreneurial activity?"

"The answer: Those policies that will give us the **most bang for the buck**.

"For example: will the policies help us to create jobs? Will those jobs be in value-added manufacture? Will those areas of manufacture be competitive in international markets? Will management aggressively promote its products at home and abroad? Will those products and markets be in areas of rising world growth trends?"

"That's my 'means test' under which my priorities have been and will be chosen.

"Of those mentioned earlier, I see among them a package of five priorities that meet the test, namely:

1. **Assisting R & D, particularly in those areas devoted to innovation in product design and engineering;**
2. **Stimulating the growth of high-technology firms;**
3. **Fostering businesses that export;**
4. **Protecting small business from the giants of industry;**
5. **Import replacement**

"To attract capital into junior companies I favor tax credit for investors of up to \$5,000 a year put into new ventures. Entrepreneurs might find it easier to finance new ideas if they can line up ten or 20 such investors to get them off the ground."

Research and Development

"In regard to R & D, there should be better ways to assist research and development in new small companies. If you're an established firm, I think you should do your R & D on a tax-credit basis. The newcomer does not have the cash flow to take advantage of this.

"I intend to push hard for remedies to cure our poor showing in industrial R & D, particularly in the design and engineering end.

"A March study by the National Design Council reveals how far behind we are. It shows that in 1973 as a percentage of industrial output our contribution to industrial R & D is about five times lower in Canada than in the U.S. Further, that the amount of expenditures going to product design and engineering amounted to a mere one quarter of R & D expenditures."

Fostering Businesses that Export

"To expand our domestic base we must expand our export markets. And I intend to foster where possible small and medium-sized industry that can export.

"We must take advantage of the Multilateral Trade Negotiations (MTN) recently completed under GATT, the General Agreement on Tariffs and Trade."

High-Technology Firms

"There are tremendous opportunities for our small, high-technology firms. To be successful, however, they must be given the opportunity to develop and expand on the domestic scene. But what we see in some areas are monopoly forces in the marketplace inhibiting this process.

"In the communications field, as an example, small, capable firms have been refused permission to attach their equipment to Bell Canada's transmission lines. . ."

". . . If we want to keep the payrolls and the development at home for the benefit of Canadians, we have to make available the domestic market. Otherwise, the entrepreneur behind the product will move to where the market is.

"But it's not only the industrial monopolies that may tend to inhibit entrepreneurial company growth. What about big government monopoly doing the same thing?"

"Take the case of the Canadian aerial survey industry. There are 30 of these firms spread across Canada, small firms, most of them, headed by, and employing some 2,000 professional and highly skilled technical people. They do about \$80 million a year, with about \$30 million of this comprising vital exports.

"For many years the industry has proven that it has the capability and capacity to undertake the basic mapping of Canada. But this job, instead, is being done by the in-house department of government.

"It's true that a move has been made to turn back some of this work, and related activity, to the industry. But the fact is, for a good number of years the industry has been robbed of this work. In the process, professional and technical people who could have been trained across the country, not just in Ottawa, have been denied the opportunity. And when things like this happen we remove the incentive essential to a strong and vital entrepreneurial community.

"We do two things when we make sure we source domestic business across the country rather than in monopolistic chunks with regional preferences.

"We promote regional balance.

"We promote national unity in practical and common sense terms.

"As I've said many times before and will say again, I'm not against big business. What I want to see is a business environment where business and industry — large, medium and small — interlock and flourish."

International Trade

The Hon. Michael Wilson, Minister of State for International Trade, spoke to the Canadian-American Committee in Montreal on September 28.

Mr. Wilson spoke of the importance of the recently concluded Multilateral Trade Negotiations (MTN) and the new opportunities this brings. Mr. Wilson told his audience that it was because of the emphasis being placed on freer and expanded trade that the Government had charged him with the task of promoting international trade.

"In broad terms my initial trade objectives and priorities will fall into four main categories: to raise the profile of the importance of trade across Canada; to increase the importance of trade considerations in government; to assist in the development of new international trade efforts; and to review, with trade efficiencies in mind, both internal and external policies."

Export Freedom

"Among the issues that flow from this mandate is one of major concern in Canada/U.S. relations, one that is as important to members of this Committee as it is to the Government. It is what can be referred to as 'export freedom'.

"This element is encountered in the roles being played by the multinational corporations operating in Canada.

"One of my priorities is to stimulate more multinational enterprises (MNEs) to assume a world charter position — sometimes referred to as global product mandating — so far as their Canadian affiliates are concerned.

"As you know, this system gives export freedom and world markets of an MNE to its Canadian operation. Such a corporate strategy allows the Canadian firm to become the specialized producer of a product part or line. It does so on a scale that assists in producing a world product at an international competitive price and at a profitable level. It also opens the door for Canadian R & D in those product areas.

"I realize, of course, that many MNEs are already producing a number of their Canadian-made products on this world charter basis, and have been doing so for some time.

"I am simply stating my intention of pursuing and encouraging other MNEs to adopt similar practices where it is possible and profitable for them to do so."

"Then we have the situation in which, while some MNEs develop exports, they apparently limit such sales to a fixed percentage of domestic sales. This may make sense for some companies but for others it does not. Other MNEs, through company policy, seek to balance their subsidiary's exports and imports so as not to affect the host country's balance of payments.

"As you can see, export freedom is a difficult subject in Canada, not only to grasp, but to deal with. It would appear to be a symptom of a larger problem, namely that we are in need of a number of medium-to-large companies with their own Canadian management, operations, product and market development."

Energy Issue

"Another issue which is now and will increasingly become a more serious concern is energy. Some influential voices in the United States are advocating the pooling of North American oil resources. But champions of the continental energy policy seem to be unaware of, or prefer perhaps to ignore, the simple truth of Canada's position vis-à-vis known reserves."

"Supreme optimists take the view that there will be major new discoveries. Should these prophecies prove to be true, our friends south of the border could rely upon our sympathetic co-operation in helping to meet their energy requirements. More realistically, however, these 'finds' are not likely to come about in readily accessible areas, or the development costs are likely to be staggering and of longer-term significance.

"But I would hope that the U.S. will not isolate oil from other aspects of the two-way trade with that country."

"No other major industrial country in the Western world depends as much on a single trading partner as does Canada. This dependency means that when the U.S. is thriving, so is the Canadian economy. Unfortunately, however, the reverse applies. This helps explain why Canada must continue to explore the opportunities for broadening and diversifying its trade with other countries, although undoubtedly the U.S. will continue to be the key market in the future."

Automotive Trade

"Our trade balance with the U.S. on automotive goods in the first six months of 1979 was in deficit by about \$1.46 billion. This represents an increase of more than \$1.1 billion compared with the same period in 1978. The sharp deterioration in Canada's overall merchandise trade balance this year is partly due to the fact that the U.S. market for Canadian-produced cars has been much weaker than the Canadian market for U.S. automotive goods.

"The short-run position, while creating anxiety, gives greater cause for more fundamental concerns. Since its inception in 1965, the Canada-U.S. Auto Pact has had important benefits on both sides of the border, even though the relative benefit has tended to swing back and forth at various times. Now, faced with an almost revolutionary re-alignment of investment to produce more fuel-efficient cars, we are naturally concerned for Canada to achieve its fair share of research and development plus new capital investment. We are concerned about the competitive bidding for new plants which is currently going on.

"A more realistic exchange rate on the Canadian dollar will obviously help improve our international competitive position because wage compensation levels in Canadian manufacturing are now well below those of some of the major Western European countries — a situation which has not prevailed throughout most of the post-war period.

"But it should not be considered that a lower Canadian currency is a panacea — far from it. It increases the debt burden which has to be paid in foreign currencies — chiefly U.S. dollars. It means that we pay more for our oil, fresh fruits and vegetables, machinery and equipment, etc. — and this in turn adds to the rate of domestic inflation.

"Thus we hope that Americans do not look with a jaundiced eye when we seek to correct some of the fundamental imbalances in our trade position."

Tuning into government programs makes sound business sense

“A small business has to be aware of the range of government programs which are available and then use them when appropriate. . .”

So says Bill Scott, president of Quick-Field, Winnipeg, Manitoba — a company that's taken advantage of many government programs to help it successfully expose its new, versatile Quick-Bin storage system to world-wide markets.

In April 1979, Quick-Field participated in the Canadian exhibit (sponsored by the Department of Industry, Trade and Commerce) at the 3i Show, a major United

States agriculture-machinery exhibition held in Garden City, Kansas. Preliminary results indicate that Quick-Field was one of the most successful of any of the Canadian companies that took part. As well, with the assistance of the Program for Export Market Development — PEMD — (see page 20 for program details), the company's vice-president, Sandy Alexander, visited the exhibits at SIMA — Salon Internationale de la machine agricole — in France. This is

expected to lead to some form of licencing agreement or at least the broadening of export coverage overseas.

Other assistance was provided for product design, research and working capital. Quick-Field has also made frequent use of the services of the Canadian Trade Commission network abroad, as well as the I.T.&C. Industry Sector Branch and regional office in Winnipeg.

To handle the production of its other agricultural products, the rapidly expanding Quick-Field has, with DREE assistance, opened a new manufacturing operation in Winnipeg.

With the unlimited growth potential facing Quick-Field, it's apparent that this is one small business that's learned to take advantage of government programs to ensure a place in the world marketplace.

For Quick-Field Products — success is in the bin!

The bin is called the Quick-Bin, made of polyethylene and reinforcing wire and capable of storing up to 2,500 or 5,000 bushels of grain or feed.

Made by Quick-Field Products, Winnipeg, Manitoba, the Quick-Bin is ideal for the person who needs a grain bin in a hurry — it takes two men only an hour to build a 2,400 bu. unit. And, you can carry three knocked-down Quick-Bins in the back of a station wagon. In two years of field testing plus other studies, Quick-Bin was found to do the job as well as steel and wooden bins, says Bill Scott, president of Quick-Field products.

Quick-Bin can be easily erected in the morning before combining, — you know exactly where to put the new bin to reduce time and fuel loss in truck hauling. For farms that include isolated, distant fields, this is an important advantage. “After all”, says Scott, “next year you may need Quick-Bin anywhere and the bin is reusable.”

Most users buy these bins for emergency storage of surplus grain to beat low prices at harvest. Scott points out, “In fact, some farmers use the units mainly to avoid the line-up and waste of time at elevators. And, after trying the bin for emergency use, many farmers find it has advantages for all normal grain storage purposes.”

Besides grain storage, high moisture corn and fertilizer appear to be pro-

ducing applications for the Quick-Bin. “Several hundred farmers in Canada have used the product,” adds Scott, “and we've had a good measure of acceptance in the large number of repeat orders. As well, substantial orders have already been received from interested customers in the United States.”

One of the most interesting aspects of this growing company is the production

process of the Quick-Bin. Vice-president, Sandy Alexander, explains that “manufacturing is carried out during the summer months in a hockey arena at Ile des Chenes, Manitoba. Seventy-five high school and university students are kept busy producing the bins. The large space in the hockey arena is ideal for the cutting, sewing and folding operations, and needless to say, the rent is very reasonable.”

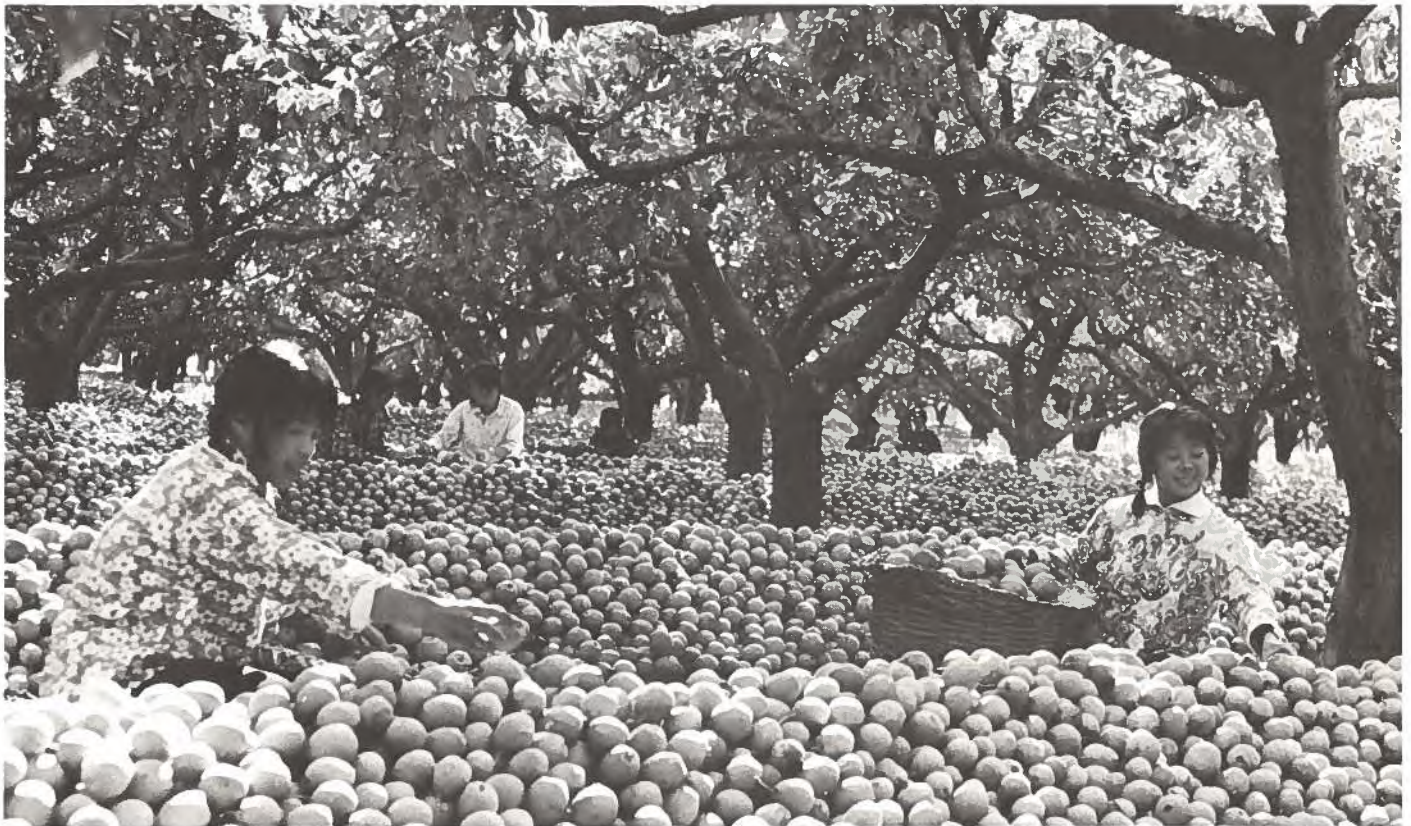


This instant bin from Quick-Field Products is for the man in a hurry — it takes two men only an hour to erect. Basically construction consists of building a 5-foot-high steel wire fence. It forms the circumference wall of the bin. The diameter of the finished bin will be 24 feet; actual length of wall — 75 feet. A cross-laminated, long-life polyethylene liner, which is already shaped as a bin, goes inside the wall. Grain goes into the liner — like putting grain into a sock inside of an enclosure. Tabs, special no-rip buttons and pegs to anchor the bin into a unit and keep it weatherproof are included, plus a strong net which effectively seals the top against wind damage.

The September issue of Canada Commerce Newsletter carried a brief assessment of opportunities for Canadian trade with China. About the time that the Newsletter was going to press came the announcement of the signing of Canada's \$2-billion loan agreement with China — the largest line of credit ever offered a foreign customer by the Export Development Corporation. The Hon. Robert de Cotret, Minister of Industry, Trade and Commerce, predicted at that time that the availability of these new funds would encourage the Chinese to buy from Canada. Here then is a more detailed look at the situation:

China — Can Canadians Compete?

by Lydia Huber



Why not? What makes China so opportune for Canadians is its recent reassessment of a previously announced ambitious 10-year "great leap towards modernization plan." The result — a more modest five-year plan, (1981 - 1985), preceded by a three-year readjustment period.

It's this three-year period that's of particular concern to Canadian companies interested in trade with China. It dictates that the new economic emphasis in China is upon agricultural mechanization, improved transportation, enlarged communications, and energy-oil development — fields in which Canadian technology excels and is competitive. During this period — 1979-1981 — China will spend an unprecedented \$16 billion, or 20 per cent of its budget on the agricultural sector — in order to provide a solid production base for future heavy industrial development.

The reasons for China's reassessment are fairly clear — instead of concentrating on heavy industry, the country must first build

up its transport, communications and energy infrastructure so that its foreign-exchange-producing light industries can begin turning out the goods with which China's new-found foreign debts can be paid off and larger industrial projects afforded.

The key to penetrating the Chinese market — determined long term commitment. Earlier this year, at a two-day conference entitled "China- How You Can Compete" (Montreal, May 23 and 24, sponsored by Financial Post Conferences and the Canada-China Trade Council), two Canadian businessmen recounted their experiences with trade in China.

Wright Engineers Limited, of Vancouver,

is presently negotiating with the Chinese on improvements to their gold mines. Mr. Leonard F. Wright, president of the firm, made several technical presentations in China. Based on these experiences, he gives the following advice.

"Assuming that an invitation is received to make a technical presentation in China we would recommend that you try to establish accurately the objective and the basic reasons for the technical exchange. Consult with the Chinese Embassy in Canada and the Canadian Embassy in Peking. Use direct telex to your potential client. If the project location is known, the department of External Affairs can provide excellent background data. Be careful on quoting any

order of magnitude cost estimates either for capital or unit operating costs. If unavoidable quote a wide range. At the outset, take time to determine the responsibility and authority of the people you meet. Prepare your detailed presentation in advance with all items defined in their simplest form. Plan for the maximum use of audio visual aids with at least some translation into Chinese. The Chinese are interested in specific information on how you have carried out projects and what you can do for them. Be prepared to submit a proposal and complete a contract before leaving China. If not, strive for a firmly defined and agreed position."

The East Asiatic Company Canada Limited of Vancouver, British Columbia, has been heavily involved in trade with China for more than 75 years. Mr. Hans P. Holst, President, explains; "the approach most favoured by the Chinese at the present time is product sharing where the overseas party receives payment for goods and services which it has supplied, in the form of products produced. These products are then generally marketed and turned over for cash. It is in this area of compensation trade that the trading company has a function to perform. While not every exporter is in a position to buy Chinese goods, the duty to promote mutual exchange must not be overlooked. I should caution at this point that while individual companies can do much to stimulate counter-trade, the onus probably will remain with governments to promote large-scale efforts to balance imports and exports.

"Private sector organizations such as the newly formed Canada-China Trade Council can also be of excellent assistance to Canadian business interested in the volatile Chinese market. The council is structured to service the private sector as the central co-ordinating expert on expanding Chinese-Canadian trade."

What's been done to develop the Chinese market in the past?

Anthony Eyton, Director General, Pacific, Asia and Africa Bureau, I.T.&C., spoke at the same conference. Certain facts came to light: Since diplomatic relations were established between China and Canada in 1970, I.T.&C. has instigated more than 80 trade missions. I.T.&C.'s trade commissioner and commercial officers have served as export market consultants and are providing valuable advice to the business community, saving them time and money. In 1972, the department launched a major drive that included the largest international trade fair ever held by Canada at the time. It consisted of an exhibition in Peking with 235 companies taking part. A specialized electronics show was also held in Shanghai where 34 electronics firms met with Chinese import officials. The most recent ministerial mission was in January 1979, and in light of China's new modernization program, many of the companies represented have made significant progress in their negotiations.

Many of the businessmen on the 1979 mission were on at least their second trip to China, and most feel they are front runners in strong foreign competition for contracts.

Penetrating the Chinese market requires a commitment in executive time, effort and expense. In short, a great deal of determination and patience. There are nine Government Trading Corporations in China, with headquarters in Peking, which handle all exports and imports.

Some Tips for Interested Canadians

- First off, interested parties should write to the appropriate Government Trading Corporation in Peking, with a copy to the Canadian Embassy in Peking outlining the product or service for sale. Multiple copies of product information should be submitted as the circulation is high. A reply may take some time, even months. Follow-up letters may be required.

- The trading corporation whose job it is to pass on the Canadian company's information to potential end users will reply asking for further information if they are interested.

- At this point the question of price may come up. The Chinese don't talk price until they decide whether they're interested in buying.

- The next stage is an invitation to the Canadian company to visit China. A scheduled visit of one week could easily double or triple in terms of time. There the product or service for sale is discussed thoroughly and demonstrated before groups of potential buyers chosen by the trading corporation.

- Another means of getting to China is a Canadian Government sponsored technical seminar or trade mission.

- Yet another possibility is not to go at all. Several times each year, the Canadian government brings over to Canada groups of technically-specialized Chinese to survey products here. The federal trade department can arrange for Canadian firms to be informed of such visits.



What Canadian firms should approach the Chinese?

According to George Gough, Chief of the Asia Division at the Department of Industry, Trade and Commerce, "There's no point talking consumer goods, because the Chinese are most interested in high technology equipment, such as is used in telecommunications, oil fields, railways (signalling and marshalling equipment), transportation (trucks for mining and road construction), and agriculture. The Chinese also prefer complete turnkey projects, rather than the services of a single consultant or architect.

"Another possibility is the Chinese version of a joint venture. For example, the Chinese may allow a foreign company to come in and build a shoe manufacturing plant if the foreign company agrees to buy back a certain percentage of the product and market it abroad for the Chinese. Such an agreement can be highly attractive to China, which is short of foreign exchange."





Some Background Facts on China Recent Canada-China Trade Statistics

In 1978, Canadian exports to China totalled more than \$500 million. Wheat accounted for 69 per cent — the remaining exports included industrial materials and semi-finished products such as wood pulp, aluminum and sulphur. The trade imbalance in 1978 increased to \$409 million; Canada bought \$94 million worth of Chinese goods, mainly textiles and foodstuffs.

General Facts

The People's Republic of China has an area of some 9.6 million square kilometres, with frontiers adjoining North Korea, the Mongolian People's Republic, the Soviet Union, Afghanistan, Pakistan, India, Nepal, Bhutan, Burma, Laos and Vietnam. The climate ranges from continental to near-tropical, with a population thought to number between 900 and 1,000 million, though some estimates put it even higher.

China is governed by a State Council (enlarged cabinet) under a Premier and Vice-Premiers, responsible in all important matters to the Politburo of the Party Central Committee. China describes itself as a developing country of the third world, although some aspects of its economy and technology place it in the ranks of the developed nations. Agriculture is the foundation of the economy and an important source of export earnings but China is striving to broaden the range of its exports and is becoming an important exporter of oil. Still China's foreign trade is only about one quarter of Canada's.

Since 1977, material incentives to greater production are being encouraged again, after a period during which they were con-

sidered politically undesirable. The peasants have the right to cultivate small plots of private land and to trade in secondary agricultural products and handicrafts.

China's imports apart from grain consist mainly of capital equipment, including aircraft, ships, plant technology and industrial materials not easily available within the country. Only limited imports of a few kinds of consumer goods are permitted, and it's unlikely that this policy will be changed in the foreseeable future.

The main problems of the Chinese economy are under-development of transport and communications, shortage of qualified technicians and research workers, exhaustion of agricultural land, erratic weather conditions and lack of investment capital.

Business Facts

Before endeavouring to penetrate the Chinese market, firms must ensure that they are prepared to make the necessary commitment in executive time, effort, and expense since trading with China normally requires perseverance and patience.

The Chinese appreciate trade literature that stresses a product's technological content. Promotional material can be given added impact by having it translated into Chinese. It is highly likely that there will be no immediate reaction: however, literature incorporating new and updated material should continue to be sent for a reasonable period of time before efforts are discontinued.

There is no personal income tax in China, although foreigners who employ local personnel should note that a high tax on such employee's salaries is payable by the employer. Prices are usually stated in RMB (Chinese currency) but sometimes may be quoted in other currencies. FOB quotations for import and CIF or C&F quotations for

export contracts are preferred as China can conserve foreign exchange by using its own insurance companies and carriers, all of which are state-owned or chartered.

China National Foreign Trade Transportation Corporation, a state-owned corporation with its head office in Peking arranges customs clearance of all import and export cargoes by land, sea, air and mail.

Information for Visitors

All foreign visitors to China require visas, which are issued by Chinese embassies. The usual health regulations apply: travellers should have smallpox vaccination and inoculation against cholera.

The import and export of Chinese currency is prohibited. Foreign currency and travellers cheques may be brought in in unlimited amounts but must be declared on a special form on entry, which should be kept and shown to the Customs at the point of exit.

China can now be reached by a number of international airlines including: Japan Airlines, Air France, Swissair, Ethiopian Airlines, Pakistan Airlines, Tarom and Aeroflot. Long-distance transport in China is mostly by air or rail. The trains have comfortable wagon-lit type accommodation with restaurant cars serving Chinese and, in some cases, European food. Travel arrangements are usually taken care of by the official guides and interpreters. Accommodation for visitors is in limited supply because of the recent relaxation of admission policies. There is nothing to prevent foreigners from using the city bus services, but they may find it difficult to make their way around cities other than Peking, because of lack of detailed maps. Taxis specially reserved for this use are available in Peking, Shanghai and Canton at reasonable prices.

Hotel food is reasonably good in China and the Chinese cuisine in particular is excellent. In the intervals between official programs or interviews, the guides will lay on sightseeing excursions — the great wall of China, Ming Tombs, Summer Palace, the Imperial Palace and other sites. **There is no night life.**

The national language is Putonghua or Mandarin, a standardised form of the northern Chinese dialect. Numerous other dialects are spoken, especially in the south, but Putonghua is almost universally understood. Most Chinese organizations work a six-day week, from 8 am. until about 11:30 am or 12 noon, when there is a 1 - 1½ hour break for lunch and rest, and close for the day at 5 pm. Public organizations are generally closed on Sundays.

For more information, please contact

George Gough,
Chief, Asia Division
Industry, Trade and Commerce
235 Queen Street
Ottawa, K1A 0H5
Telephone: (613) 992-0356.

It's Time for Small Business to Think Big!

That was the consensus of the some 300 delegates who attended the 24th annual conference of the International Council for Small Business (ICSB), held in Quebec City, Quebec, June 23 to 26, 1979. The theme — the world of small business: problems and issues.

Formed in the United States in 1956, ICSB assists small businesses to operate more efficiently by providing management education, research and an exchange of ideas. More than 30 countries are represented in the council's membership, which includes owner/managers of small businesses; educators; representatives from all levels of government; trade and business associations and professionals serving small businesses. In the U.S. alone, membership reaches 2,000.

An important outcome of this meeting is that Canada is forming a separate Canadian division of the ICSB, to be called International Council for Small Business — Canada, the first formal division to be established outside the U.S. President of ICSB—Canada is Robert Bilodeau, FBDB, Montreal. Raymond Kao, Ryerson Polytechnical Institute, Toronto, is vice-president and secretary, and Claude Desjardins, Director, Manufacturing Industries Branch, Quebec Department of Industry and Commerce, is Treasurer.

The five regional directors are: Atlantic — Garfield Pynn, St. John's; Quebec — Claude Desjardins, Quebec City; Ontario — Grant Erwin, Kitchener; Prairie and Northwest Territories — Bill Stewart, Edmonton; and British Columbia and Yukon — Randy Vandermark, Burnaby.

Bilodeau says that he expects that the major activities of the new organization will include the scheduling of conferences across Canada to promote an exchange of ideas on new management methods, training and concepts for small business and the publication of Canadian-oriented journals for members. The first annual meeting of the new group will take place within a year, he added.

Canadian speakers at the conference . . .

Among the many Canadian guest speakers who addressed the conference were: Senator Jacques Flynn, Minister of Justice and Attorney General; the Hon. Ronald Huntington, Minister of State for Small Business and Industry, and Guy Lavigne, President, Federal Business Development Bank (FBDB), Montreal. The following includes excerpts from the speeches of these three men, as well as other noted Canadians who presented papers at the conference.

Senator Jacques Flynn:

"Some of the goals we have set for ourselves and in our relationship with the Canadian business community — first and foremost is the promise that we intend to reduce government interference in business to a bare minimum — to allow business men and women to get on with the job of running their businesses without red tape and bureaucratic meddling.

"But this does not mean that this government intends to let business sink or swim on its own. That could and probably would be disastrous in the present context of regional, sectoral and international trade and its attendant problems. Rather we propose — in co-operation with other levels of government and the business community — to develop policies, strategies and programs which will allow the business community a good return for their capital investment and entrepreneurial skills.

"However, in offering to reduce government interference we are also laying down a challenge to the business community to police itself and work for the common good as well as the corporate good of the nation.

"Business must show that less government interference is not a licence to engage in unethical business practices — that it is willing and capable of increasing not only its share of the economic pie but also that it can increase the size of the pie so that all Canadians can have a bigger piece.

"As Joe Clark said in an address to the Empire Club of Toronto — 'The national government cannot impose these goals. But only the national government has the authority to bring together the economic partners whose agreement is essential to any effective new national policies. Thus, one of our early goals is to bring together business leaders with representatives of all levels of government to chart business strategies for the 80's — strategies which will build on Canada's strengths — its abundant resources, whether in food, energy, or minerals, its engineering and manufacturing skills, and the ambitions of its citizens.'"

A good example of the type of business-government co-operation Flynn envisages is the development of the new Business Opportunities Sourcing System (BOSS)*. Says Flynn, "Employing computer indexing with microfiche storage and rapid retrieval, the system will be used by Canadian embassies and consulates in 65 countries and I.T.&C.'s 11 regional offices across Canada to assist potential buyers of Canadian products and Canadian businesses to locate supply sources."

On the importance of small business to a large, diversified and thinly populated country such as Canada, Flynn says, "Although we are rich in natural resources and energy, it is often difficult to reach the economies of scale so essential to compete in international markets for manufactured goods.

***see Canada Commerce June/July for report, and August/September for update.**

Governments at all levels must develop policies that will assist these small businesses to meet the challenge — policies in taxation, freedom from undue regulation and judicious help in financing, management training and encouragement to undertake research and development.

“It is the federal government’s opinion that small business — thus encouraged — will provide the jobs to reduce unemployment, help alleviate our international balance of payments deficit, and assist in reducing disparities.”

The Honourable Ronald Huntington

Minister of State for Small Business and Industry

“Many people on the fringes of the labour force depend on the entrepreneurial talents of small companies. The life goals and aspirations of millions of people within the work force depend on the incentive aspect that has been so much a part of the free enterprise system.”

One of Huntington’s priorities, as the new Minister of State for Small Business, is to discover new ways in which to restore the basic incentive aspects of the small business world before the system itself is destroyed.



At the conference, the Hon. Ronald Huntington addresses the some 300 participants who convened at the Laval campus in Quebec city. “The problems and issues of entrepreneurs and the small business community as a whole have been steadily gaining wider attention — and I can point to no better example than the strong influence of the ICSB.” A positive outcome of the conference was the formation of a separate Canadian division of ICSB designed to help small Canadian business to operate more effectively by providing management education, research and an exchange of ideas. There will be more than 150 charter members, made up of representatives from small businesses, government, university and college business schools, as well as professionals such as consultants, bankers and accountants. Seated beside Huntington are Peter Quinn, Assistant Deputy Minister, Enterprise Development I.T.&C., and Guy Lavigneur.

“It will take new thinking and new attitudes to develop the cures. It will indeed take research, technology and management assistance in an innovative environment to make many of these cures materialize. The problems that surround the small business person today have accumulated over the years like dust gathering on the shelf. He/she doesn’t hear it. He/she doesn’t feel it. But one day — when he/she has time to look up — there it is.

“The plight of the small business world in this environment of economic and structural changes deserves close attention. Canada relies heavily on international trade. And to grow we must do so by widening our export base. And to do this, small and medium-sized enterprises will have to play leading roles. Our exports account for one dollar in every four of our Gross National Product — or over one-half of what we produce must find outside markets. Roughly, two-thirds of our imports come from one country — the United States. And about two-thirds of our commodity exports go to one country, again the U.S., a degree of export market concentration that makes Canada unique among the seven major industrialized nations.

“Furs, fish, forests, farm and minerals — these have been the prime supports of Canada’s economic progress. They will continue to contribute important shares. However, it must be recognized that in terms of job creation and wealth production on the broadest of national scales nothing in Canada’s business background has equalled the contribution over the past 25 years of our manufacturing industries.

“The concentration of small and medium-sized enterprise in these areas can be seen in one revealing fact: of the 9,000 members of the Canadian Manufacturer’s Association about 8,000 are in the small and medium-sized category.

“The future of this new world depends on our ability to create a small business environment that will flourish alongside large powerful organizations, a world that can deliver from its potentially limitless resources benefits for all mankind.”

Guy Lavigneur

President, Federal Business Development Bank*

“Because large businesses are so visible and often predominant in the demands for our attention, one tends to forget that small and medium-sized enterprises form the backbone of an economy, providing a substantial portion of total employment.”

A recent analysis made by the FBDB shows that small business failures are caused by two main factors: conditions which affect specific industries and the ability of a small business with heavy financing to weather economic downturns. Nevertheless, says Lavigneur, “whole new fields of technology have developed from a small enterprise base, such as the computer, semi-conductor and other electronics products industries.”

At the conference the FBDB announced a proposed, new service — Small Business Analysis Service (SBAS). SBAS complements existing FBDB management programs by uti-

***for details on the FBDB and its services, see Canada Commerce August/September issue.**



The Honourable Ronald Huntington, Minister of State for Small Business and Industry, and Guy Lavigne, President, FBDB, Montreal, exchange views on the problems and issues facing today's small businesses in Canada. The scene was the 24th annual conference of the International Council for Small Business (ICSB).

lizing the resources of university graduate or senior students and faculty members in small business management courses to analyse and report — at a nominal cost — on problems and opportunities of smaller enterprises. As well as assisting the small business operator, SBAS will provide an opportunity for the students to acquire practical applications of management theories.

Michel Bunyar

President, Bunyar, Malenfant & Associates

In his speech — Small Business — Where It's At — Bunyar says, "To the modern consumer looking for merchandise and a shopping environment that is unique and stimulating, the personality of the store manager and the way in which his/her personality is reflected in the store will be a key element in the total service package. This personality and its integration into the local community have always been strong factors in the success of the independent retailer. Now that, in most cases, the independent carries similar merchandise at competitive prices to the chains, the independent can look forward to capitalizing on his/her vital competitive asset: The personal approach to business. We believe that there is a large and growing market for this type of service and that as a result small and independent businesses are in a prime position to experience substantial growth in both sales and market share during the coming decade."

Marcel D. Belanger

Director, Policy Development, Small Business Secretariat
Speaking on "Improving productivity and competitiveness in small and medium sized enterprises," Belanger concludes,

"A number of forces will stimulate productivity improvement as a basis for the commercial survival of small and medium-sized businesses, including:

- scarcer, more expensive human resources, capital, energy and raw materials.
- the increasingly rapid rise of technological change and diffusion.
- demands to spread industry within Canada and in the world.
- a freer international trading environment which will present a mix of tough challenges and opportunities.

"Managers of small and medium-sized enterprises should look to this future not as an impending catastrophe to be avoided, but as a challenge to be seized."

James Y. Cadieux

Price Waterhouse & Associates, Quebec, Quebec

"There is no question that more and more small businesses will be affected by the mini-computer. There are now micro-computers appearing on the market. These devices are characterized by much cheaper CPU's. Software on these micro's is still limited but more will be available as time goes on. It is now within the means of most small businesses to use it as a cost effective tool to better manage business."

On self-employment as a career, Edward Kolodzie, a self-employed management consultant, says, "Self-employment can be an attractive alternative in solving a career choice. There appears to be a growing recognition that certain aspects of self-employment can be taught through short courses and seminars.

"These programs can be sponsored by all academic institutions, many government agencies, service-oriented organizations, and even community-minded businesses. Once the entrepreneurial spirit is instilled in individuals they usually retain it for a lifetime."

More information on the types of programs available to small businesses can be obtained by contacting,

The Small Business Secretariat, (63)

Department of Industry, Trade and Commerce
235 Queen St.
Ottawa K1A 0H5
Tel: (613) 995-6794,

or by calling the regional I.T.&C. office nearest you, or . . .

The Federal Business Development Bank (FBDB)

280 Albert Street
Ottawa, K1P 5G8
Tel: (613) 995-0234,

or any one of their 104 regional offices across Canada.

Playing with wool turns into a \$million success yarn! Original Fashion Fantasies by Norma Lepofsky

"I was always artistic — I love beautiful clothes but wanted something different in fabric than was being offered at the same time. So I got some yarn and started playing around with it. I taught myself how to knit and crochet by using my imagination." — Norma Lepofsky, circa 1965.

That's how Norma Lepofsky got her start. The ensuing 15 years saw her ability to create original designs in knit and crochet catapult her into the haute couture league.

Today, Norma Lepofsky heads a flourishing cottage industry by employing some 300 women in the Toronto area, who reproduce by hand, in their own homes, her constant flow of designs.

Just what is a Norma?

Some describe it as a wearable work of art. Others find her creations simply as super, fun, original delights to wear.



This playful jean jacket is typical of the type of imagination and creativity that goes into a Norma creation. It's fun to wear a Norma and have the feeling of wearing a very special, unique hand-crafted item.



This Norma Popcorn Jacket is 100 per cent wool in multi-coloured yarns with matching hat. Norma designs are available at better shops throughout the world. Her original designs are practical and functional. Norma's rare blending of different textured yarns and colours create an eye-catching wearable work of art.

What makes a Norma such a success? Extraordinary textures and colors are the selling points — velour, angora, chenilles and silk tweeds knitted together to produce evening wear of gossamer delicacy; the incorporation of ribbons and velvets into hand-crocheted tops; the imaginative blending of as many as 10 yarns to produce the desired effect in casual sweaters.

Originally, Norma used to be the kind of knitter who sold things right off her needles. First to friends, then to strangers who would stop her on the street and ask her where she found her super sweaters.

Tourists spread the word of Norma's knits and before she had time to think about it, the best American fashion houses were coming up to buy them.

"This past year business has been in the \$1 million bracket, and this year we'll do more than \$1½ million," says Norma.

Norma's haute couture creations are sold in big-name United States stores such as Neiman-Marcus, Marshall Field, Bergdorf-Goodman and Saks Fifth Avenue. Her fall collection is now being shown in Dusseldorf, Germany, and "orders are pouring in." When Norma first appeared in the Igedo, Dusseldorf Trade Fair, "first effort" sales amounted to more than \$100,000!

In Canada, Holt Renfrew and Eaton's sell her fashions in major cities across the country. Her Toronto outlet, called "Norma" on Cumberland Street, is overflowing with beautiful hand-made dresses, cardigans, pullovers and jackets. This spring, Norma opened a workshop in Toronto where she and her staff of 11 distribute patterns, wools and instruments to her home workers.

It wasn't all smooth knitting. . .

It took some risk. After the initial enthusiastic response to her designs, Norma got the idea of opening up a business selling yarns and instructing people on how to make her designs.

In 1965, she opened a store on Old Park Road called Norma Lepofsky Designs and Imported Yarns.



This Hollywood Jacket is an evening favourite of the movie colony. Luxurious fur-like crocheted synthetic, this sweater is available in white, black and ecru. From the initial market appraisal to today's international success, Levinson & Lowe, her agents in Toronto, have worked closely with Norma to ensure total market coverage.

"In 1972, people stopped knitting and went into needlepoint," says Norma. "My business suffered. I either had to get out or forge ahead. I designed for so many people and decided to make a retail ready-to-wear business of my own designs. It was a terrible risk. I had a product unproven in merchandising and I jumped from \$125 a month rent to \$2,100 a month when I opened on Cumberland Street five years ago."

Three men believed in her talent and offered encouragement — they were her interior designer Robert Meiklejohn who decorated her new store; her bank manager, and her husband. Her husband and daughter Rhoda, 22, now help her run the store.

Eventually, Norma went into women's wear exclusively and organized the store so she wasn't needed to sell the merchandise. "It sold itself, so I could concentrate on the designing." Norma has created more than 800 original patterns in the past five years.

Her creations are not inexpensive, but as hand-made works of wearable art — they're worth it! Pullover sweaters sell from \$125 to \$150; big tops, \$95 to \$300; jackets, \$250 to \$275 and two-piece dressy outfits, \$455 to \$650.

The Fashion Scene in Canada



Norma is one of 42 designers across Canada to be members of the Fashion Designers Association of Canada, an organization sponsored by Fashion/Canada.

Twice yearly, under this sponsorship, the FDAC presents Trend Shows that stage the latest from Canadian designers. These spring/fall events have become an important must on the calendar of fashion professionals. This

fall the events took place in Toronto — October 2, and Montreal — October 4, and naturally Norma was there to exhibit her latest wearable fantasies.

As well, Norma creations are shown in the newest Canadian fashion magazine — **Canada Fashion/Mode**. A glossy, highly sophisticated promotion vehicle, **Canada Fashion/Mode** presents a representative selection of garments from all aspects of Canada's clothing industry, set against the varied backdrops of our diversified landscape. The first edition is currently being circulated to decision makers in the fashion

industry throughout the world. **Canada Fashion/Mode** is the creation of **Fashion/Canada**.

Just what is **Fashion/Canada**? Formed by the federal department of Industry, Trade and Commerce in 1969, F/C's original mandate was to administer the Fashion Design Assistance Program (FDAP). Under this program, student designers have been assisted by F/C to gain valuable experience in the fashion industry, at both the undergraduate and graduate level — helping to improve the quality of designers coming into the workforce.

During the past nine years **Fashion/Canada** has become an important facet of the Canadian fashion industry through its programs to improve the image and excellence of its designs and designers.

Further information on the Canadian fashion scene and on **Fashion/Canada's** role in that industry will be featured in up and coming issues of **Canada Commerce**.

For more details on **Fashion/Canada**, please contact

Fashion/Canada
I.T.&C., 235 Queen Street,
Ottawa K1A 0H5
or call (613) 995-6287.

Can-Am makes good use of assist from PEMD

Springhill company's success in U.S. markets
by Bob McDonell, Assistant Editor, Canada Commerce

Aggressive marketing, a well designed quality product and an assist from the Canadian government's Program for Export Market Development are all contributing to increased sales in the U.S. market for Can-Am Containers of Springhill N.S.

Since 1970 the firm has been supplying the market with injection and blow molded, high density, polyethelene containers for sea food, fruit and vegetable products. While the east coast fishery and blueberry and apple growers have been the main markets to date, Can-Am has turned its sights to the United States, largely as a result of inquiries received from American importers, impressed with the quality of containers they have received from Canadian users of the product.

Encouraged by the apparent interest in their products which range from one-gallon pails for field-picking operations to stackable drums for the transporting and freezing of perishables, Can-Am applied for and received PEMD assistance to participate in the United Fresh Fruit and Vegetable Exposition at New Orleans last February. The response was so favorable that assistant manager Robert Metcalfe and vice president Reg Gale recently embarked on market identification trips to the Michigan and Seattle, Washington, markets to assess their potential, also under PEMD sponsorship.

The firm has expanded from \$400,000 worth of business nine years ago to some \$5 million sales during the last fiscal year of which approximately 10 to 15 per cent is accounted for in exports to the U.S.. Indications are that the company's export sales to the American market will increase sub-

stantially as a result of PEMD-assisted promotional activities.

The objectives of the Program for Export Market Development is to develop and increase the export of Canadian goods and services by sharing with the business community the financial risks of entering new foreign markets. The program is not intended to support normal export activities or in winning new business in a market where the supplier is well established.

Divided into five sections, the program meets varied export marketing needs:

Specific Project Bidding — under this section I.T.&C. will make a contribution to the costs incurred by a company in the pre-conceptual stages of specific projects requiring bids. The Department normally pays up to 50 per cent of the approved costs.

Market Identification — designed to assist a company to visit and precisely define a new potential market. Such exposure should enable the company to decide if, in the specific market, it can indeed sell its products or services, and if the opportunities are commercially viable.

Participation in Trade Fairs Outside Canada — encourages participation in trade fairs and exhibitions where the department does not have a group display.

Incoming Buyers — to encourage Canadian companies to bring foreign buyers to the company's premises in Canada or an agreed third location, in order to influence a purchasing decision.

Export Consortia — to provide an incentive for Canadian companies (especially small and medium-sized firms) to form export consortia on a permanent and continuing basis. Such consortia must seek to combine and improve export capabilities over and above the abilities of the individual firms.

While the criteria for the program remains the same the various sections of PEMD assist different types of export marketing activities. In general, the assistance provided covers three categories of costs, namely: transportation, where the department pays half the cost; living costs covered by a per diem of \$90 for each employee covered in the agreement, and half of the special costs such as shipping exhibits or renting space in trade fairs.

If the project results in sales, PEMD assistance is repayable to the Canadian government at one per cent of sales into the geographical area until the Department's contribution is repaid.

Canadian companies interested in expanding their markets either in the U.S. or other countries are invited to follow in the trade steps of Can-Am Containers by contacting their regional office listed on the inside back cover.

To participate in the program you must:
— be located and operating in Canada with sufficient operational experience to demonstrate you have the competitive ability to effectively conduct export trade for the products or services concerned;

— your company must display sound financial and managerial capabilities;
— your product or services to be exported must be produced in Canada with significant Canadian content.

Before contacting your regional office, you may wish to consult "Program for Export Market Development, a Guide to Use of the Program," a copy of which may be obtained from **Distribution Services, Public Information Branch, (98) Department of Industry, Trade and Commerce, 235 Queen Street, Ottawa, Ontario, K1A 0H5.**

Program
for  Export
Market
Development



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G.P. (Gilles) Morin

Director
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Regional Director General
Alberta & Northwest
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BRITISH COLUMBIA AND YUKON

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British Columbia and
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Vancouver, British Columbia
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If undelivered return to:
"Canada Commerce"
Dept. Industry, Trade and Commerce
Ottawa, Canada K1A 0H5

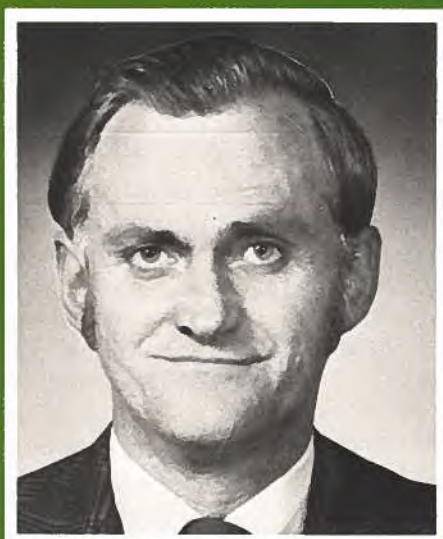
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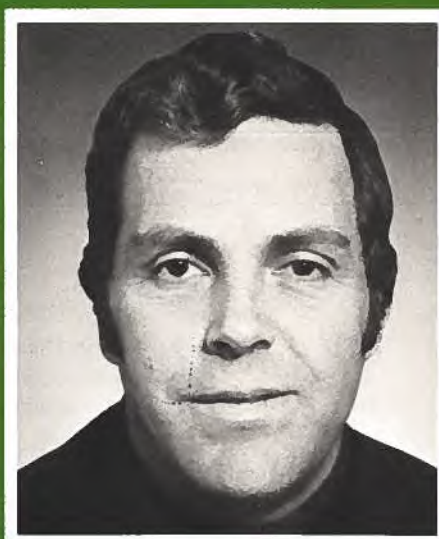
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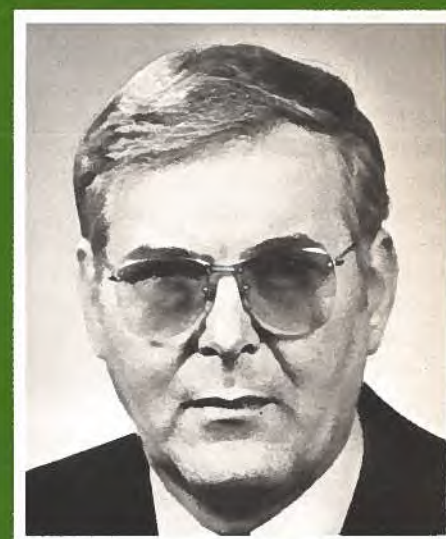
who can help your business to grow — domestically or by exporting. Industry, Trade and Commerce Regional Offices, located in 11 major Canadian cities (see inside back cover) are all staffed with experienced trade specialists — experts such as the three shown here who direct operations covering Newfoundland, New Brunswick and Quebec. These and other Regional Directors General, their staffs and in most cases the recently opened Business Information Centres, are there to help you. Drop in, send a letter, make a call — and you're in business!



The new Regional Director General of the Newfoundland Region is Brian Holmes. This St. John's location puts him across the continent from his British Columbia birthplace. After university, Holmes spent eight years at Alcan involved in engineering, marketing and production. With the exception of one year as operations manager for the Canadian Construction Information Corporation (1972-73), Holmes has held a variety of government positions for the past 14 years, involving him in a wide range of industry and planning.



Jacques Mercier has just recently been appointed Regional Director General of the Quebec Region. Born in Ottawa, Ontario, Mercier has held a variety of positions in both the public and private sector, starting his career as lieutenant in the RCME. After leaving the service, he worked as a professional engineer for both the Canadian Marconi Co. in Montreal and Northern Electric in Montreal and Ottawa. Federally, Mercier has worked for Industry, Trade and Commerce in the Quebec Region, and was Assistant Director in the region's Montreal headquarters for a year prior to his present appointment.



Fred Grimmer has been Regional Director of the New Brunswick Region for the past nine years. A native of New Brunswick, Grimmer started his distinguished career 28 years ago with the Nova Scotian Department of Trade and Commerce. From 1954 to 1962, he was manager and inspector-special agent for H.T. Warne Ltd. and Douglas Rogers Insurance Ltd. respectively. Just prior to his present post in Fredericton, Grimmer was regional officer in Halifax for eight years.



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