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Editorially speaking. . . .

Without undue intervention from nervous breakdowns, press breakdowns or (heaven forbid!) a strike by Santa's little helpers, we should be able safely here to wish you Merry Christmas! And we do.

Words of good cheer we bring you too, with Rick Mann's account of the new GATT agreement on government procurement which opens up an estimated worldwide market of some \$40 billion and, among other advantages, gives Canadian producers improved access to the U.S. market.

And new perspective is given in this issue to our series on trading houses with Vanessa Hammond, President of Canedex Distributors Limited, expressing her own views on **Using a Trading House** (page 8).

With or without using the trading house route Canadian companies are finding their way to success in export markets and it is pleasant to be able to report some of their stories here, whether they concern toys or high technology.

This latter subject is given much attention in James Ganderton's **Report from Singapore** (page 1) where the government has decided to launch a second industrial revolution to switch from labour-intensive industries to the capital-intensive high technology industries. This **Report** is, of course, part of the **Commerce** series covering countries of the Pacific Rim — topic of the important Vancouver "Opportunities Conference" in November. Look to our next issue for more on that subject.

Meanwhile, our best wishes for a Merry Christmas, a profitable New Year — and good reading!

A.H.

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

Publié aussi en français

Singapore — Technological Marketplace In Southeast Asia

Singapore, with its British/American business ethics, has become a favourite manufacturing location of many major industrial corporations and is now becoming an attractive base of operations for a number of high technology-oriented enterprises. Development opportunities in Southeast Asia are immense — the area's abundant wealth in natural resources and population of nearly 250 million people make the ASEAN nations a lucrative market — and Singapore, in a strategic location at the crossroads of business and trade, offers investors distinct market and investment advantages.

Report from Singapore

by James Jan Ganderton

Counsellor (Commercial), Commercial Division, Canadian High Commission



The island city state of Singapore is the trading, financial, and distribution centre for Southeast Asia. It is both highly industrialized and prosperous with a per capita income in Asia second only to Japan. Its political stability provides a superb marketing centre for all Southeast Asia. Situated at the southern tip of the Malayan Peninsula, the island is located at the crossroads of international air and sea traffic in Asia.

In spite of its small size, its population of 2.36 million, and the fact that it is itself devoid of any natural resources,

Singapore has built its wealth on the industry of its people and has consistently achieved annual GDP growth between 7 and 9 per cent (10.7 per cent in first half 1980). For a variety of reasons, however, Canadians have yet to become as fully aware as they should be about the big political and economic changes taking place in Southeast Asia. The outlook for growth and development is very substantial and a bewildering variety of new and challenging business opportunities are opening as the government enters a new era of industrialization.

This new era, often referred to as the second industrial revolution, will continue to see Singapore as the distribution centre of Southeast Asia, and in particular, the

ASEAN countries (Indonesia, Malaysia, Philippines, Thailand and Singapore) which have a total population of about 250 million people — with a combined GNP amounting to about \$100 billion. Beyond question, the growth of the ASEAN region can, to a large extent, be explained by the rich resource base enjoyed by all the nations involved except Singapore. And Singapore, which is notably politically stable, has created a substantial financial services sector and has become the economic centre of the area by making effective use of an efficient, skilled labour force, attractive business incentives, and a superb environment in which to develop its manufacturing and marketing capabilities.

Prior to independence, Singapore adopted a labour-intensive import-substituting industrialization strategy to help solve its then high unemployment problem. After independence, a new strategy was adopted centering on labour-intensive, low-wage, export-oriented industrialization — the first industrial revolution. At that time the government enacted several tax incentives designed to attract foreign investors to Singapore. This mix of attractive tax incentives and low wages proved to be a winning combination and today Singapore enjoys full employment.

The growth of these industry sectors, compounded by the demand for construction workers, has now resulted in a labour shortage in the Republic which is expected to continue for the next few years. In order to avoid the problems of migrant workers, the government has decided to launch the second industrial revolution — to switch from labour-intensive industries to the capital-intensive high technology industries. To accomplish this, the government has effected higher wages and eradicated a number of protectionist tariffs. The intent of this policy is that the labour-intensive industries which rely on low wages and low skilled labour will either have to switch to automation or relocate in neighbouring low-wage ASEAN countries. These new policies have immediately seen the cessation of production activities by two automotive plants and a tire manufacturing facility.

The policies have resulted in Singapore receiving a healthy level of foreign manufacturing investments during the first half of 1980 — \$700 million — up 57 per cent from the corresponding period in 1979. Commitments in non-petroleum projects jumped even more impressively by 83 per cent to nearly \$550 million. These are primarily in such industries as chemicals, electrical, electronics, machinery and metal engineering, transport equipment, textiles, and plastics. Investment commitments by Singaporeans accounted for only slightly more than 10 per cent of the total — all in all, indicating the level of investment which is pouring into Singapore (primarily from Japan and the United States) to take advantage of the vast, and relatively untapped, market of ASEAN.

To continue this high technology trend, the government is seeking to attract more medium-sized industries and, under the economic expansion incentives act, has introduced investment credit schemes for this purpose. A company carrying out an approved (high technology) manufacturing project may be allowed an investment credit on its new fixed investment. The scheme complements existing "pioneer status" plans resulting in total tax holidays of between five and 10 years, export incentives resulting in only 4 per cent (versus 40 per cent) tax on export revenue, as well as training subsidies. In this vein the



government is encouraging existing trading or service companies to enter the high technology manufacturing sectors as well as attracting foreign industry.

Although the labour force is (relatively) highly skilled, the government is aware that in order to attract high technology (brain industries) new educational facilities will be needed to further upgrade available skills. Therefore in order to meet the market's needs, two new computer institutions are scheduled to be operating and producing between 500 and 1,000 programmers and computer science specialists annually. One such centre, the Japan-Singapore Institute of Information Technology, scheduled to open next year, is a government-to-government sponsored facility. A second is being established by IBM following discussions between the company and the Committee on National Computerization. The four levels of training planned are programmers/analysts and systems analysts, senior systems analysts/senior programmers, data processing managers, computer end-users, and line managers. Although these facilities will go a long way towards providing software personnel for the market, Singapore will still be in desperate need of experienced hardware manufacturing facilities, and software system houses — an obvious large market opportunity for Canadian industry.

Although Canadian exports to Singapore have grown from \$3.1 million in 1968 to approximately \$130 million in the first half of 1980, historically the items exported have been raw materials. However, in recent years there has been a dramatic change towards exports of fully and semi-manufactured products (achieving 84 per cent in 1978). Opportunities are great in Singapore, particularly in the high technology areas, which will see a continued extrapolation of this sales growth. The

development and opportunities in Singapore are, in many aspects, similar to the dynamic growth and the "Boom Town" economy of Calgary. Although by no means exhaustive, the following are a number of projects (on-going and yet to be commenced) which indicate the spectrum of opportunities for Canadian exporters.

Changi Airport:

The new international airport development at Changi reached its peak in 1979 with an expenditure amounting to \$60 million per year. Canadian companies have participated in everything from conceptual design to the provision of food processing equipment. The airport is due for commissioning in mid-1981.

Aerospace:

The completion of the new Changi Airport will dramatically increase Singapore's capacity for handling passengers and cargo (movements are expected to reach 100,000 annually in five years). Government plans are firmly underway to increase its aerospace industries in servicing, R and O, and manufacturing, which is presently at \$95 million.

Raffles City:

The construction of the new Raffles City complex with its 72-storey hotel tower in downtown Singapore is scheduled for immediate commencement. The \$400 million complex will be built on 82,000 sq. metres of land in the heart of the city area and will include a 72-storey hotel tower with some 1,200 rooms, a 30-storey twin-core hotel tower with some 800 rooms, a 44-storey office tower and a seven-storey convention centre and shopping area. Although the project has been conceptually designed, the myriad of systems have not yet been selected.

The Marina Centre:

This \$400 million project is in an earlier stage, the designers of which (John Portman & Associates) are holding discussions with suppliers. The complex will contain a 500-room hotel, a 650-room hotel, four department stores, a shopping mall of 250 stores and parking facilities for 2,400 vehicles. The Marina Centre is scheduled for completion in mid-1984.

Thermal Power:

The Public Utilities Board is about to commence Phase III of an existing two-stage oil-fired thermo-electric plant. In addition, advanced planning is underway for a new massive coal-fired or oil-fired thermo-electric plant. The construction of these plants is attracting international attention for engineering, supply of materials, and supply of raw feedstock.

Mass Rapid Transit System:

Although there is some public discussion about the possible postponement of the \$4 billion MRT, there is no doubt that a mass transit system of some description will be constructed in the near future. Studies which have been underway since 1968 are reaching a crescendo and a decision to go-no-go will be made in 1981. Although not actively soliciting proposals at this time, the MRT group has advised that they would like to receive technical information from Canadian companies which have developed systems and techniques that may be of interest and may be incorporated within the MRT specifications.

Housing:

The Housing Development Board of Singapore has successfully constructed high-rise type housing for 67 per cent of the population of Singapore. It is expected that this scheme will have housed the total population requirements in the next five years, during which time the HDB will gradually start replacing the older accommodations and continue this activity indefinitely. This ongoing housing development program will require increasingly modern apartment systems from the original (rather spartan) concepts.

Computer/Communications Industry:

The Government of Singapore has made a conscious decision to enter this high technology industrial sector. Since Singapore's first computer was installed only 15 years ago (reaching 275 installations in 1978) the expected growth of installations in Singapore should be exponential for the next few years. Singapore, like the other ASEAN countries, does not manufacture computers, and has very little in the way of software facilities. Consequently, to achieve its goals, the government is enthusiastically encouraging establishment of software and hardware industrial facilities. As an example of this growth, the govern-

ment is inviting international companies to tender on a program to establish joint venture arrangements with local companies to develop a videotex system (similar to Telidon) which is expected to enjoy widespread usage in Singapore and the ASEAN countries.

Petro-Chemical Facilities:

Implementation of the Singapore petro-chemical complex has begun. The \$1 billion complex, to be completed by August 1982, is expected to generate significant spin-offs in related sectors of the economy such as plant fabrication, plastics processing, and synthetic fibre manufacture. The upstream company, Petro-Chemical Corporation of Singapore, will crack Naphtha and LPG and produce 300,000 tons per year of ethylene, 160,000 tons per year of propylene as well as various by-products. These products will then be sold to downstream companies for conversion into plastic resins, ethylene glycole, 2-ethyle hexanole, and acetylene black. Although PCS has been incorporated, the downstream companies are only now being incorporated and thus represent opportunities for design and construction of facilities.

The Economic Development Board of the Republic of Singapore, which is the agency which grants industrial incentives, has established a list of high technology priority industries which will be established in Singapore in the next five years. These industries include:

Automotive Components

Machine Tools

Medical and Surgical Apparatus

Specialty Chemicals and Pharmaceuticals

Computer Equipment and Software Development

Electronic Instruments

Optical Instruments and Equipment

Precision Engineering Products

Advanced Electronic Components

Hydraulic and Pneumatic Control Systems

as well as the key supporting industries for each. Although this is a "shopping list," it is indicative that the areas to be pursued are high technology, capital-intensive industry sectors.

However, although the government's emphasis is towards the establishment of high technology industries, the national trading company (Intraco) is actively and successfully pursuing trade in other areas as well. Intraco, like many other companies known to the High Commission, is an importing company, trading company, manufacturing conglomerate and exporting company, and is actively engaged in importation of raw materials and semi-

finished products and the selling and exporting of these commodities to ASEAN and neighbouring Asia. These companies are keenly interested in establishing joint ventures with Canadian companies in which they will act as agents, distributors, or manufacturers for new fully manufactured products and semi-manufactured products.

The colleagues and competitors of Canadian industry are establishing in Singapore at an increasingly rapid rate in order to take advantage of the ASEAN market. The spectrum of companies ranges from consumer products (e.g. Bata, Kobelt, Beatrice Foods), industrial products and services (e.g. Monenco, Lavalin, Canpotex, AMF, FMC, SKF), to the high technology manufacturers (Northern Telecom, Seiko, Electrovert, Garret, Wild General Electric, Hewlett-Packard, Litton, Timex, Philips, Nippon) — and many, many others including the major Canadian banks.

Penetration of this market is extremely similar to the techniques of penetrating the European and American markets. Of the four usual techniques — direct sales, sales through agents, trade fairs, and joint ventures — the first is considered to be non-effective in Southeast Asia because of the travel costs and the subsequent infrequent servicing of the market. Of the remaining three, Singapore is becoming the trade show centre for Southeast Asia and, with the ultra-modern facilities of the World Trade Centre, there are trade shows almost constantly for every conceivable industry sector. Participation in a trade show however, must be accompanied by a determination to enter the market, for the in-and-out company will undoubtedly find frustration and disappointment.

The most successful Canadian companies are those which have established either joint venture relationships or representative agencies. To accomplish this end the Canadian High Commission is working closely with the many representative groups, the Singapore Manufacturers Association, and the Singapore Economic Development Board — which have combined their efforts in forming a bureau for joint ventures. Through this co-operation we can arrange introductions between parties with technical know-how and expertise, and complement it with financial and other resources — with the aim of bringing together the necessary elements to break into this lucrative market.

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France's Engineering Industry Canadian Opportunities for Industrial Co-operation

"Canadian firms should 'use' co-operation with France as a means of penetrating new markets or of improving their position in markets where they are already established to some degree." That's the message from Canada's First Secretary, Commercial in Paris. And, as he clearly points out, the results can be mutually rewarding.

Report from Paris by Claude N. Fontaine

France's petroleum bill, which was approximately 80 billion francs (\$22.85 billion) in 1979, will exceed 100 billion francs (\$28.6 billion) in 1980. It is, therefore, easy to understand why French authorities consider it so important to develop exports in order to achieve a stable balance of trade. For the past five or six years, engineering has played a role in the positive development of French exports and has been a key element in the approach used by French companies to secure major contracts abroad.

International competition has become increasingly forceful, especially since the arrival in the marketplace of newly developed countries such as South Korea. The scope of projects and the size of loans to be authorized are also factors which are causing engineering companies to seek partners with whom they may share financial and other risks. This recent trend towards association where required, as well as the increasingly major role played by France's engineering industry throughout the world, have helped create numerous opportunities for Canadian companies to form partnerships with the French. In recognition of this fact, the Canada-France Economic Council, whose purpose is to promote industrial co-operation, considers the "Third World Projects" program as one which provides excellent opportunities for co-operation.

France has approximately 800 engineering companies with a staff of six or more. In all, these firms employ approximately 50,000 persons, 20,000 of whom are engineers. In 1979, including fees and salaries, these companies conducted business worth about 10 billion francs (\$2.86 billion), nearly one-third of which came from exports. Considering that such services



usually have a multiplier effect of 10, it is estimated that, as a result of its activities abroad, the French engineering industry was responsible for the export of French goods worth nearly 30 billion francs (\$7.8 billion). By comparison, exports of public works services amounted to 22 billion francs (\$5.7 billion).

In 1971, approximately 8 per cent of French exports of equipment resulted from major contracts or industrial agreements obtained and developed by the French engineering industry abroad. In 1973, this proportion increased to 11 per cent and, in 1977, to 44 per cent. Roughly 15 companies account for more than 40 per cent of exports, and approximately 60 firms export between 80 per cent and 85 per cent of the total.

With the emergence of this dynamic profession, it is easy to understand the French government's many attempts to encourage these companies to export their services, as well as the efforts of French statesmen travelling abroad to encourage their contacts to use French technology.

The role of the State is evident in the very structure of the industry. In various forms, the public engineering interest is

taking the lion's share, especially in the exports field where it accounts for 46 per cent of all exports of the industry. Industrial projects account for 30 per cent of this total and infrastructure projects for 70 per cent.

Africa, particularly its French-speaking countries, remains France's major foreign customer (34 per cent of exports) with Eastern Europe (24 per cent) and the Middle East (18 per cent) also in leading positions. Over the past two years, however, the French government has tended to concentrate its efforts in Asia and Latin America.

For example, France and China have signed an agreement for economic and industrial co-operation involving 60 billion francs (\$15.6 billion) between now and 1985. Projects are planned in the following sectors:

- Oil
- Aeronautics
- Transportation
- Iron and steel
- Electronics
- Metallurgy
- Hotel Equipment
- Electricity
- Energy (Thermal and Nuclear Stations.)

In May, 1979, the French Foreign Trade Insurance Corporation (COFACE: Compagnie française d'assurance pour le Commerce Extérieur), which is associated with 18 French banks, offered China a 30 billion franc (\$7.8 billion) line of credit. Interest rates were set at between 7.25 per cent and 7.5 per cent depending on the duration of the loan.

In March, 1979, France granted Mexico a line of credit of 1 billion francs. An

industrial co-operation agreement should create opportunities in the following fields:

- Animal production development,
- Railways,
- Mines and metallurgy,
- Scientific and industrial development in the use of nuclear energy,
- Marine resources, etc.

France also has industrial co-operation agreements with Brazil and Venezuela.

More recently, France has indicated that it wishes to develop its exchanges with other South Pacific countries, such as New Zealand and Australia. Ministerial visits are planned for this year. France's President Mr. Valéry Giscard D'Estaing, recently travelled to India where seven industrial agreements on coal, oceanography, energy and, in particular, aluminum, were signed. Credits totalling 1 billion francs were offered by France.

Relations between France and Algeria are improving and last year France granted a credit of 2.5 billion francs (\$0.65 billion) for the purchase of French goods and services.

One result of the French engineering industry's growing international presence has been an increased enthusiasm on the part of French companies to undertake certain major projects in co-operation with other firms which possess the necessary financial and technical resources.

Co-operation is encouraged for many

reasons. The scope of these major projects involves too great a financial risk, even for a country like France. As well, credits already granted to certain client countries often involve such vast sums that France is virtually unable to finance other major projects on its own. In other instances, French engineering companies must sometimes seek the assistance of foreign partners with greater expertise in certain areas of technology. Finally, co-operation sometimes makes it easier to secure contracts when the partner is already established in a particular market.

This last point aptly describes France's situation in Asia and Latin America, where its presence is still limited. Canadian companies often have a better knowledge of these areas and, as partners, could be extremely helpful to French companies. The reverse is also true, because France has for many years had operations in Africa and Eastern Europe which could serve the interests of Canadian companies associated with French firms. Canadian firms should "use" co-operation with France as a means of penetrating new markets or of improving their position in markets where they are already established to some degree.

Concrete examples of this kind of co-operation between France and Canada already exist. A major hydro-electric project in Central America is one; and other joint ventures by Canadian and French companies, in particular in the public works field, have been completed or are

currently in progress in French-speaking Africa. A large French engineering company could participate in the development of Canadian nuclear stations in Romania.

The identification of projects and possible partners is by far the most difficult obstacle to overcome. Although there are no easy solutions to this problem, Canadian firms would do well to consider the following suggestions.

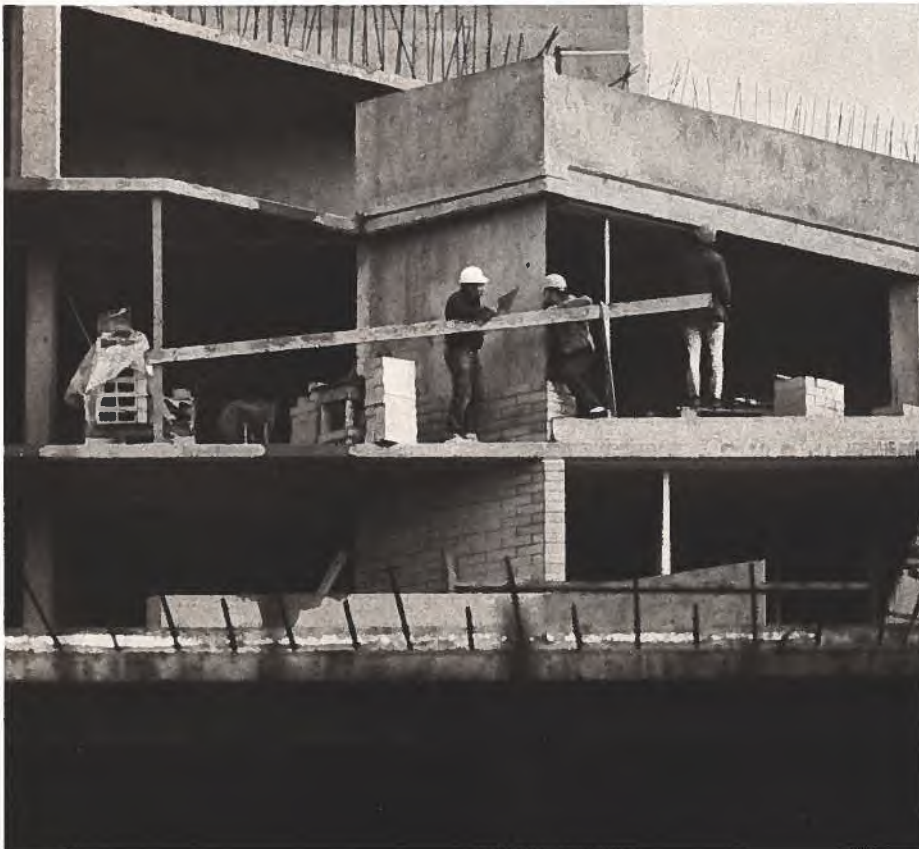
The first step is to contact the Office of Overseas Projects of the federal Department of Industry, Trade and Commerce in Ottawa. This Office is responsible for co-ordinating all activities related to research and promotion of Canadian technology, goods and services for overseas projects. In the spring of 1979, a delegation from this Office visited France, where it met with certain French authorities and several companies interested in co-operating with Canadian industry. IT&C in Ottawa has a great deal of basic information on French industry which it can make available to interested Canadian companies.

Since it is extremely important for potential partners to get to know each other well, the second step involves extensive business travel in France. It would be in the interests of Canadian engineering firms travelling to London also to go more often to Paris to meet their French colleagues, learn about their activities and establish personal contact. Tenders generally require quick answers and French companies in search of partners will naturally contact firms which they already know, and especially persons with whom they have had personal contact.

Like Canadians, the French do not systematically look for partners to carry out projects with them. However, if problems of advanced technology threaten to make a project impossible, both the French and their Canadian counterparts, rather than being forced to drop a project, should seek out the partner who will enable them to make a soundly based joint offer. In such cases, especially where the project concerns Africa, the Middle East or Eastern Europe, association with a partner — in this case, a French one — could make all the difference between success and failure.

The Commercial Division of the Canadian Embassy in Paris maintains close contact with these companies for the purpose of providing opportunities for Canadian industry. The Division can provide Canadian companies with all necessary information on the activities of the French engineering industry. It can also identify possible partner firms and organize an appropriate program of visits.

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New GATT Agreement Opens \$40 Billion Market

By C.R. Mann, Office of General Relations
Industry, Trade and Commerce

On January 1, 1981, the GATT Agreement on Government Procurement, one of the most important achievements of the recently concluded Tokyo Round of multilateral trade negotiations, is scheduled to come into effect for the world's major economic powers, including Canada. This Agreement, in a significant change from the previous trading climate, is designed to open a substantial portion of government procurement to international competition on a non-discriminatory basis. The countries involved are expected to be Canada, the United States, all the member states of the European Economic Community as well as Switzerland, Austria, the Nordic countries, Japan, and possibly some of the more advanced developing countries. This, it is estimated, represents a world-wide market of \$40 billion.



This is a new direction for the GATT. Although large areas of government contracting such as service contracts are excluded, this is an important step towards reduction of what has been a major non-tariff barrier to trade. Experience under this new Agreement will be monitored continually with a view to improving it in further negotiations after three years.

Of particular interest to Canadian producers will be the improved access to the U.S. market where the government will, as of January 1, 1981 waive "Buy America" restrictions for

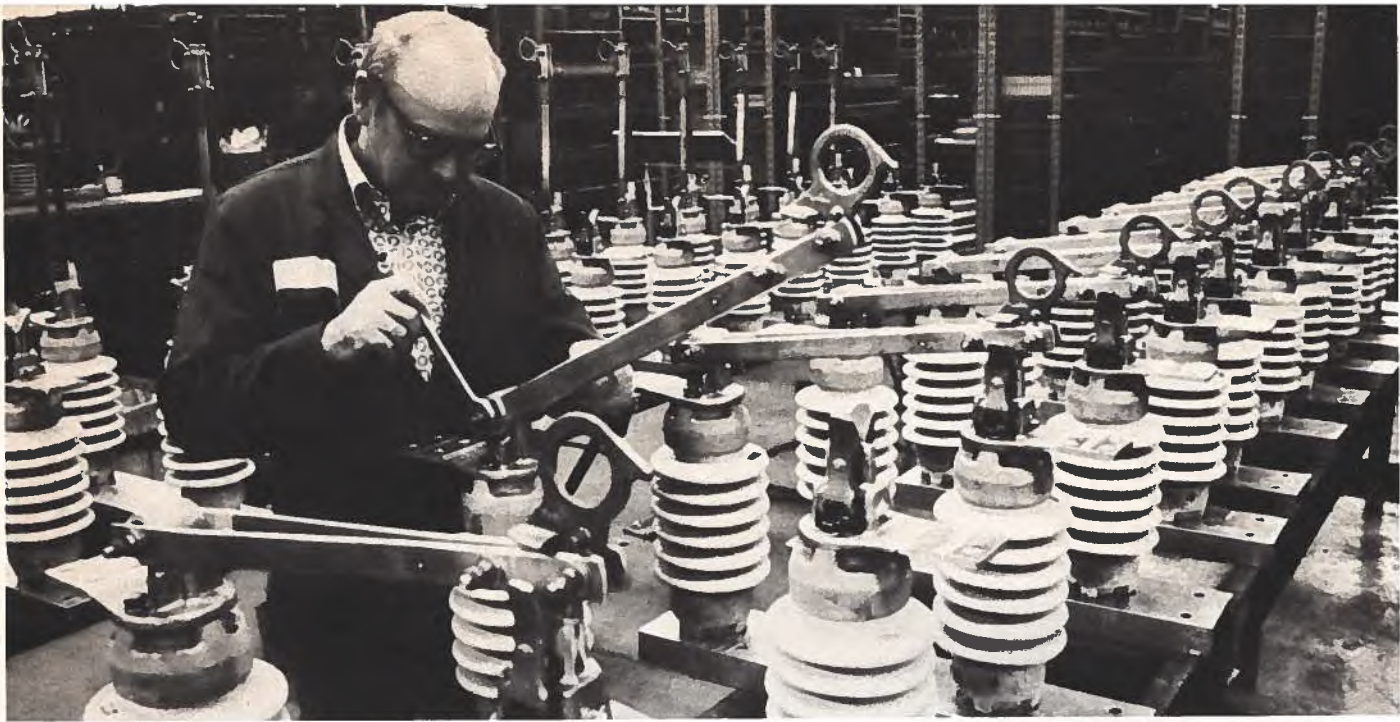
large portions of U.S. government procurement covered by the Agreement. This includes goods purchased by almost all the major U.S. government departments as well as a broad range of other agencies and commissions. Important examples are the General Services Administration, the Department of Health, Education and Welfare, "non-military" purchases of the Department of Defence, the National Aeronautics and Space Administration, the Civil Aeronautics Board and a long list of others. The Agreement covers a wide range of products, including everything from

office furniture and machines to sophisticated electronics equipment and special vehicles. While precise figures will not be available until some experience under the Agreement has been gained, it is apparent that the U.S. government agencies alone represent a market of more than \$15 billion!

In addition to the opportunities to be found in the U.S., similar markets will be opened to Canadian suppliers under the Agreement in the other countries noted above. Most of the major government departments in each country will conduct their purchasing using open, internationally agreed rules.

The coverage of the Agreement is determined primarily by the purchasing entities which each party has identified as being subject to the Agreement. All goods purchases valued above a threshold of approximately Cdn\$225,000 for each of these entities will now be open to Canadian suppliers.

The coverage of the Agreement is determined primarily by the purchasing entities which each party has identified as being subject to the Agreement. All goods purchases valued above a threshold of approximately Cdn\$225,000 for each of these entities will now be open to Canadian suppliers. These "entity lists" do not include agencies which are not directly controlled by the central government such as commercially operated crown corporations, provincial government departments and agencies, and their equivalents in other countries. Purchasing subject to national security considerations, as well as construction and service contracts, are also exempt. Signatories have flexibility to sole-source contracts in situations of extreme urgency, for the purchase of prototypes or first products resulting from a research and development contract, and where compatibility with existing equipment is essential. However, in each case the government must be prepared to justify to other signatories that recourse to these provisions is justified.



The Agreement requires a high level of transparency in the purchasing procedure so that justice is not only done but is seen to be done. Beginning next January, for procurement covered by the Agreement, signatories must:

- publicize their methods of procurement
- qualify your firm as a potential supplier (providing stated technical requirements are met) or provide substantive reasons why your firm does not qualify
- advertise proposed purchases in prescribed publications in advance of the bid date (a minimum of 30 days) and provide reasonable information on request
- accept your bid if it meets the stated conditions, or provide an acceptable reason for rejection
- evaluate bids using only criteria specified in the documents and treating all bids equally
- advise all unsuccessful bidders within seven days of a contract award
- if requested by another government, provide details of winning bid including price
- establish a contact point responsible for providing necessary information to potential bidders and to resolve difficulties and complaints.

A corollary to all of this, of course, is that, for those Canadian government requirements coming under the provisions of the code, firms qualified on source lists maintained by the Department of Supply and Services — other than just Canadian-based firms — will be invited to submit tenders and be accorded the same treatment as domestic firms. In other words, the same treatment and access given to Canadian firms in other government procurements markets are to be accorded to foreign suppliers in Canada. Canadian producers will, of course, continue to receive the protection afforded by the Canadian tariff.

IT&C is taking concrete measures to help Canadian exporters both to identify specific opportunities and to follow the procedures necessary in pursuing these new and very important markets. Commercial offices abroad are familiar with the Agreement and the way it will be implemented in their host countries. They will be watching carefully and providing information on procedures and opportunities to the department and directly to interested Canadian firms. Similarly, IT&C will be able to provide general information to Canadian exporters concerning individual markets and direct assistance in pursuing specific contracts.

The Agreement also provides for equitable and expeditious internation-

al dispute settlement as well as enforcement measures to ensure that the Agreement is being applied by other governments and that Canadian firms are treated fairly. To ensure these are effective, it is important that exporters advise IT&C of their experiences in seeking government contracts abroad and, in particular, any instances where our trading partners appear to have neglected their obligations under the Agreement.

The mere existence of the Agreement is not a substitute for an aggressive and effective marketing program. It will open doors and provide ground-rules for doing business with foreign governments — but — if Canada is to benefit from the Agreement, in the final analysis it is the private sector which must pursue the opportunities. You cannot afford to ignore these new export markets.

For further information concerning particular markets and opportunities, exporters should contact the appropriate geographical marketing sections of IT&C — in particular the USA, Japan, Asia or Western European Divisions. Details of the Agreement itself may be obtained from:

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Using a Trading House

J.E. LANCASTER, IT&C's officer assigned to study the complex subject of trading houses, interviews VANESSA HAMMOND, President, Canedex Distributors Limited, Scarborough, Ontario, in this, the third article of a series. Canedex is representative of the growing number of small to medium-sized Canadian trading houses. It specializes in acting as a purchaser of a wide range of technical equipment, vehicles and furniture for third world government departments and agencies. . . .



Lancaster:

The proposed formation of a national trading company or corporation seems to have greatly increased media and public interest in trading houses. Does this reflect a growth in their importance?

Hammond:

The former lack of public awareness of trading houses was probably due more to the low profile of the sector in Canada than to any lack of importance. While there is a significant and consistent growth in the volume of trade carried out by trading houses, their importance is not a recent phenomenon.

Archaeological and historical studies indicate that from the earliest times the exchange of goods was carried out by experts in trade rather than by individual producers. In Canada, the role played by the "Gentlemen Adventurers of England Trading into Hudson's Bay" and the Great Northwest Company, as well as individual fur traders, is well recognized.

Almost every time we make a purchase that is not directly from a manufacturer or farmer, we use a trading firm. While this activity at the non-retail level is not readily apparent to the general public, the importance of this type of activity in the export market is even less understood.

The recent public interest in trading houses, in my view, reflects the public's growing concern with Canada's export performance and a desire to explore all possible avenues for improving the situation.

Lancaster:

Turning now to the Canadian manufacturer, especially one wishing to enter the export market for the first time or to expand the market, what are the advantages of using a trading house?

Hammond:

There are a number of situations in which the use of a trading company is advantageous.

Because the export market develops slowly and requires a greater financial commitment it can in many cases strain the organization and reduce its efficiency. In this case, the export trading house provides a means by which the company's product can be exported. Since the transaction is carried out at the domestic level, the manufacturer avoids involvement in the costs and problems of overseas marketing. These responsibilities are met by the trading house.

Other manufacturers produce specialized products whose potential in each market is too small to be cost effective. Export marketing costs are not prohibitive when met by a trading house which is involved in the sale of products from several manufacturers.

Even manufacturers whose products are well known outside Canada can encounter export problems. Many overseas buyers wish to deal with a single supplier for a particular project or with a single supplier from each country. To bid directly on a project of this type, the manufacturer would have to ensure that all the required items be tendered including at times the competitor's products. A trading house can be used to ensure that all items are offered. It can offer each manufacturer the opportunity to include its product without entering into an uncomfortably close relationship with competitors.

Lancaster:

Having made the case that trading houses are useful to many manufacturers, we might explore the various functions undertaken by a trading house.

Hammond:

To give perspective to the factors involved we should consider the steps required to complete an export sale.

Initial sales inquiries will usually come after several contacts either in person, by letter, telephone or telex. This contact is most easily maintained by the trading house working comfortably in the language and atmosphere of that market, covering several products free of the problems of the manufacturing sector.

Even after all these contacts, the inquiry may be for products different from those expected as a result of the initial discussions. This may be due to a sudden requirement for certain products, a change in the political or social situation, an economic change or changes in import regulations. Frequently it is because the trading house concept is so basic in most countries that it is assumed that any sales company is automatically capable of providing an extensive range of products.

This can be disconcerting for the manufacturer who has expended much effort to the promotion of his products — toys, for example — and the first inquiry is for agricultural equipment. Such changes are handled easily by a trading house and the toy sale may well develop from other contacts.

After the inquiry, requirements have to be defined in a manner acceptable to the manufacturer. The trading house handles the translation of the equipment list; the interpretation of tender documents that range from excellent examples of clarity to others so ambiguous that they require much consultation with the purchaser to avoid undue financial risk; quotations on price and collation of technical data; freight and insurance quotations which must also be obtained and incorporated as part of the CIF price. And bid and performance bonds and foreign currency transactions, as well as shipping arrangements, must be carried on while the tender is being prepared.

All these steps can be frustrating and costly for a small manufacturer attempting to enter the export market for the first time or for a manufacturer with a small potential market in specialized equipment.

As the trading house is operating on a continuing basis in the export market, it is aware of the level of service offered by transportation, shipping, insurance and brokerage firms as well as the specific problems involved in each port. By tendering on entire projects or several smaller ones it can substantially reduce packing, shipping and inspection costs as well as loss and damage to equipment.

Installation and training are often included in export contracts. These functions can also be handled by the technical staff of the trading company, in co-operation with the manufacturers.

Lancaster:

Are there any situations in which the use of a trading house is not appropriate?

Hammond:

Yes. Major manufacturers working through their own export departments; small manufacturers working in markets with good potential; purchasers wanting to buy from a specific, known supplier, and purchasers with good knowledge of and access to manufacturers can usually export or import efficiently without such services.

Use of a trading house is a method of overcoming problems. Where the problems are minimal or where solutions have already been established, the use of a trading house may not be appropriate.

Lancaster:

Is there a simple formula for determining if the use of a trading house is necessary?

Hammond:

Questions which a manufacturer must ask are:

1. **Is there a market which we are not now penetrating and to which we do not at present wish to devote personnel and promotion funds?**
2. **Are there products in our line which we are not exporting but for which an export potential may exist?**
3. **Could we be competing more successfully on international bids?**

The purchaser should ask:

1. **Are there potential sources of supply we are not exploring because of lack of time, funds or expertise?**
2. **Could we be purchasing more efficiently by using a local expert?**
3. **Could we be receiving a wider range of bids on our international tenders?**

For either group, affirmative answers indicate that the use of a trading house should be considered.

Lancaster:

How should a manufacturer or foreign buyer choose an appropriate trading house?

Hammond:

This is a complex topic and one which may well determine the profitability of the entire operation. Each trading house has its own strengths and characteristics. The success of any relationship with a trading house will depend on the degree to which its capabilities meet the needs of the other party.

Lancaster:

Should explicit contracts be drawn up between the trading house and its clients? Or would you consider that it is sufficient to have just a verbal agreement?

Hammond:

It is essential for each to outline its own activities clearly so that there are no misconceptions as to contractual obligations or financial arrangements. Serious problems can arise if care is not taken to work out details. Where the trading house acts as an export merchant, it enters into an agreement with the supplier to purchase the goods and into a separate agreement to sell to the foreign purchaser. If either tries to contravene the terms of the agreement serious contractual problems arise. International trade is too competitive for off-hand attitudes and lack of professionalism. In such cases, not only will the supplier and trading house suffer losses, but Canada's good name as a bona fide supplier and trader will be brought into question.

Fortunately difficulties of this nature are not common. When a good rapport has been established between the manufacturer and the trading house, and between the trading house and the end user, the working relationships are usually excellent.

Lancaster:

Do trading houses receive adequate assistance from government?

Hammond:

The relationship between trading houses and the federal government is complex and because of its significance deserves an examination of the departments involved.

External Affairs

This department can be of importance when establishing relations in a foreign country and assist in problem-solving as the occasion arises.

Supply & Services (DSS) and the Canadian Commercial Corporation (CCC)

This department, having developed procedures for dealing directly with manufacturers, shows little inclination to consider trading houses as procurers and suppliers. This is in spite of the demonstrated skill of the established trading house in tapping the supply capacity of a number of Canadian manufacturers. Working through a trading house in handling tenders could avoid many of the pitfalls inherent in segmented purchasing.

The Canadian International Development Agency (CIDA)

CIDA financing is handled either through loans or grants. With the former the recipient is usually free to purchase in the manner of his choice. The trading house in this case may be selected to work with the recipient country as would a manufacturer.

For projects funded by grants the purchasing is carried out by DSS - CCC with similar observations as above. In the case of a large purchase of one type of equipment or of a commodity, DSS purchasing can serve both CIDA and the recipient effectively. Where the purchase consists of a number of individual contracts with numerous suppliers, the skills inherent in the established trading houses could best come into play.

CIDA apparently is prepared to take advantage of the services of trading houses with consequent benefit to both the agency and the recipient.

Export Development Corporation (EDC)

Our firm in fact does not deal with EDC largely because much of our business is in response to tenders with strict deadlines. Nonetheless many if not most trading houses have dealings with EDC at one time or another. Many could not function without the insurance and financing considerations offered by this agency. EDC officers are usually sympathetic to and aware of individual trading firms and their exporting capacities.

Industry, Trade and Commerce

This is a key government department for exporters including trading houses, many having extensive contacts with the Program for Export Market Development (PEMD), the Industrial Sector Branches in Ottawa, the Regional

IT&C offices across the country and trade commissioner posts abroad. Officers of this department are in the position to be most helpful to trading houses in their export efforts. This is particularly true as departmental officers develop their understanding and appreciation of the trading house role in exporting. It should be mentioned however that there appears to be a number of trade commissioners and line officers who are unaware of the services offered by trading houses. Possibly a familiarization program could be introduced for IT&C staff working in the export areas. At the same time greater efforts are called for in the industrial sector, bearing in mind the small number of Canadian manufacturers exporting. As Canadian firms in the international scene often lack the advantages of scale, official support measures as proffered by IT&C frequently fill a definite need.

National Revenue

The problems of taxation relating to exports is a major concern to all companies attempting to develop and expand export sales. Exporting is an expensive but essential business. Trading houses in Canada are concerned about the more favourable treatment accorded by other countries to their trading sectors as this can have adverse effects on the competitiveness of Canadian traders. It is to be hoped that this department will become aware of, and be concerned by, such circumstances.

Lancaster:

Overall, how do you feel about the present performance and future prospects for the trading house sector in this country?

Hammond:

Currently the sector is functioning efficiently for major commodities. The volume of trading house exports for manufactured goods is low but is increasing.

Every effort must be made to increase exports by all possible means. Trading houses as discussed can be effective in a number of circumstances. Because the sector is large and highly visible in almost every market except North America, overseas buyers are generally well aware of their potential. The effectiveness of the Canadian trading house sector will increase as a direct result of improved awareness in the manufacturing and consultant sectors and in government.

Canada Commerce invites questions and observations on the subject of trading houses directed to Mr. Lancaster's attention. From time to time questions and answers may be published as part of this series. Next month: Trading Houses in Canada

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As part of its extensive services to small businesses throughout Canada, the Federal Business Development Bank is making available to Canada Commerce readers a series of articles designed to help these enterprises improve management practices and methods of doing business. . . .

Equity Financing for a Small Business

The owners of any business strive to ensure that it does not merely stand still but grows in sales, profits and assets. The additional investment usually required for expansion can come from two sources — either term borrowing or equity financing — or by a combination of both sources.

The equity in any business is that part of the money invested in it which is not debt. There is no simple answer to the question of whether to finance by debt or equity because of the circumstances particular to each business faced with the problem.

A professional accountant could provide advice as to suggested sources of financing of either type for evaluation and comparison by the business owner.

Choosing equity financing, or new investment, has both advantages and disadvantages.

The advantages of using equity capital are that it permits faster growth of the business by raising money; it expands the borrowing power of the business; it improves the business' credit rating with its suppliers; it reduces the risk to each owner of the business; it spreads the ownership of the business over more shareholders who may be more venture-some than if only a few owners are involved; and it provides experience and counsel from the new shareholders.

The disadvantages of using equity capital are a possible lessening of flexibility because of shared ownership; the dilution of the interest of the original owners and the possibility of increased expenses such as costs incurred in issuing the stock, dividend payments and accounting.

The sole owner of a business enjoys complete flexibility of operation and decision-making. He does not need to consult anyone and can take risks that a financial partner may not wish to share. The sale of stock to new investors is really the same as admitting new partners to the business whereby the sole owner has to share control with others. He probably becomes an employee of the firm's owners of whom he is one.

Selling partial ownership in a business by introducing new investors reduces the original owner's share in the profits. However, the refusal to sell additional shares could impair the growth of a business or allow competitors to overtake it.

Conversely, premature sale of stock in a

growth company could subsequently make the original owner reluctant to further reduce his ownership interest even though new funding was vitally needed.

If equity capital is decided upon, a business should raise it before the need becomes urgent. If the search for new investors is delayed, bargaining power is weakened and new capital may be available only on rigorous terms.

Equity financing follows the law of supply and demand. Just as a business' products or services have to be attractive to create and retain customers, so do the securities offered to new investors.

Share offerings of small, relatively unknown companies are often not attractive to the "ordinary" investor because stability and a profit pattern have yet to be established.

Small businesses rarely have access to a public offering because investment dealers and underwriting houses have to be convinced of the marketability of a proposed public offering. In addition, the cost of placing a small issue for a small company is usually disproportionate to the net yield to it in equity financing.

Consequently, private sources of equity capital usually are better for small firms looking towards growth by increasing share capitalization.

There are a number of possible sources for equity capital, including added investment by the present owners. The sale of shares to the firm's employees — a form of employee profit-sharing — might be considered, or to relatives and friends or even to customers and suppliers.

The latter two possible sources may, however, result in undue restrictions on the business' operations and could make other customers and suppliers reluctant to deal with it.

Another possibility is larger companies, which sometimes invest in smaller firms whose operations complement their own.

Here the smaller firm should seek the services of an intermediary, such as a banker or other professional adviser.

An increasing number of venture capital firms in Canada are owned by a consortium of banks, trust companies and other pools of capital. These organizations specialize in investing in small and medium-size companies seen to have strong growth potential through good management and product acceptance. FBDB is also active in promoting equity financing to various enterprises.

Whichever source of equity capital is being considered, there must be careful, thorough and long-term planning, as well as accurate and comprehensive documentation of balance sheets and operating statements for prior years.

This will demonstrate to potential investors that the firm's management is competent and prospects good, and that the offer of an ownership interest is at least as attractive as other investments.

Most successful small businesses reach the point when financial partners should be invited into the business. Sound advice is essential in undertaking this major step.

FBDB Regional Offices:

Atlantic Region	1400 Cogswell Tower Scotia Square Halifax, N.S. B3J 3K1	(902) 426-7860
Quebec Region	4600 Place Victoria 800 Victoria Square Montreal, Que. H4Z 1C8	(514) 283-3657
Ontario Region	250 University Avenue Toronto, Ont. M5H 3E5	(416) 593-1144
Prairie & Northern Region	161 Portage Avenue Winnipeg, Man. R3B 0Y4	(204) 943-8581
British Columbia Region	900 W. Hastings Street Vancouver, B.C. V6C 1E7	(604) 666-8631

No Game for Manufacturers Toys Are a Serious Business

by Shirley Plowman

Legend has it that old St. Nick especially loves Christmas Eve in Canada because he can always count on getting a whole sackful of help from prolific and dependable Canadian toy manufacturers — among them Reliable Toy Co. Ltd., a Toronto-based firm, and M.A. Henry, nestled snugly in Dundas, Ontario.



Making Christmas special for the tiny tot set is the joyful work of M.A. Henry Limited, a company that has a special fondness for its toy cowboy gun sets. It was the toy pistol that formed the basis of a lucrative joint venture between an enterprising Canadian management team and an American company back in the 1940s when toy guns were the rage of the purple sage among the very young.

For many grownups, a memory of their greatest Christmas ever is the one when they first spied their own Trigger-like horse in the early a.m. under the sparkling tree. That memory also includes a cowboy cap pistol, which as toddlers, they took with them on a ride across the range of their imagination.

M.A. Henry became completely Canadian in 1974 when the general manager and associates purchased full control. Through the years, the product line has broadened along with the market scope.

The spring horses and toy guns have been joined by wagons, chalkboards, pogo sticks and stilts, desk sets, tables and chairs — the kind of toys that can still fit under the Christmas tree. But M.A. Henry also makes the kind that looks more at home on a warm summer day — backyard swing sets, slides and climbers.

Sales now carry the company's name to Australia, Sweden, Denmark, Ireland, England, Belgium and Holland.

"The road to export sales has not always been easy," admitted General Manager William Schoenhardt. "The sales came only after a restructuring and strengthening of the company's domestic sales position."

M.A. Henry's first export account was a major catalogue house in Belgium about five years ago which resulted in the company's participation in the Spoga Sports Fair in Cologne, Federal Republic of Germany.

"Ironically," says Schoenhardt, "our immediate impression of participating in the show was a negative one. We were not aware of the delay that occurs and the longer time response one must allow for developing sales leads in the export area."

Since then the company has continued to exhibit successfully at the Spoga Fair and now also participates in the Australian Toy/Sporting Goods Fair.

As a result of the sales success in Australia, M.A. Henry Ltd. has formed a joint venture in Australia with their Australian managing director. The company, M.A. Henry Pty. Ltd. (Australia) now markets the Canadian line as well as that of other firms.



"Our emphasis has, and continues to be, on learning experiences," explained Bill Schoenhardt. "We had to acquire a knowledge of export financing and insurance along with the ins and outs of other new areas encountered for the first time."

Despite the challenges, M.A. Henry will continue to export.

"While the road to export sales has certain potholes in it, the rewards to those who venture along it are increased sales, scope and profits."

Reliable

Reliable has been making the world's children happy since 1920 and is quite possibly the oldest Canadian toy company. Headed by the two sons of the founder, Alex Samuels, the private company makes everything from skipping ropes to spring horses to dolls. Every item is made on the Toronto premises with very little in the way of imported components.

Flipping through Reliable's colour catalogues an adult is smitten with a touch of nostalgia for Christmases past. It would be difficult not to be impressed with the joyful profusion of colour and the originality of the sturdy, imaginative toys and games. The company stresses durability and safety — two factors that parents especially look for — combined with colour and design appeal to make a toddler's eyes light up come Christmas morning.

Older kids and those perennially young would enjoy receiving one of Reliable's exotic dolls dressed in costumes of other lands.

There is also a wide assortment of baby dolls with extras like bottles and baths, cradles and rockers. For the very active, there is a wide choice of

imaginative vehicles fashioned in the shape of honey bees, bears, dogs and ponies, tractors and racers. Women's lib notwithstanding, young girls will bask in the very large selection of attractive afternoon tea sets and other imaginative toys such as doll's heads with curlers and junior makeup kits. Added to this is a selection of winter and summer fun products like toboggans and slide sets, and for those hazy, crazy, lazy days of summer, the brightly hued seaside sand pails, sailboats, horseshoes and sand digging accoutrements.

The company exports primarily to the Caribbean, New Zealand and Australia. It also exports moulded parts to U.S. manufacturers for use in their product lines along with other moulds on a rental or licence basis.

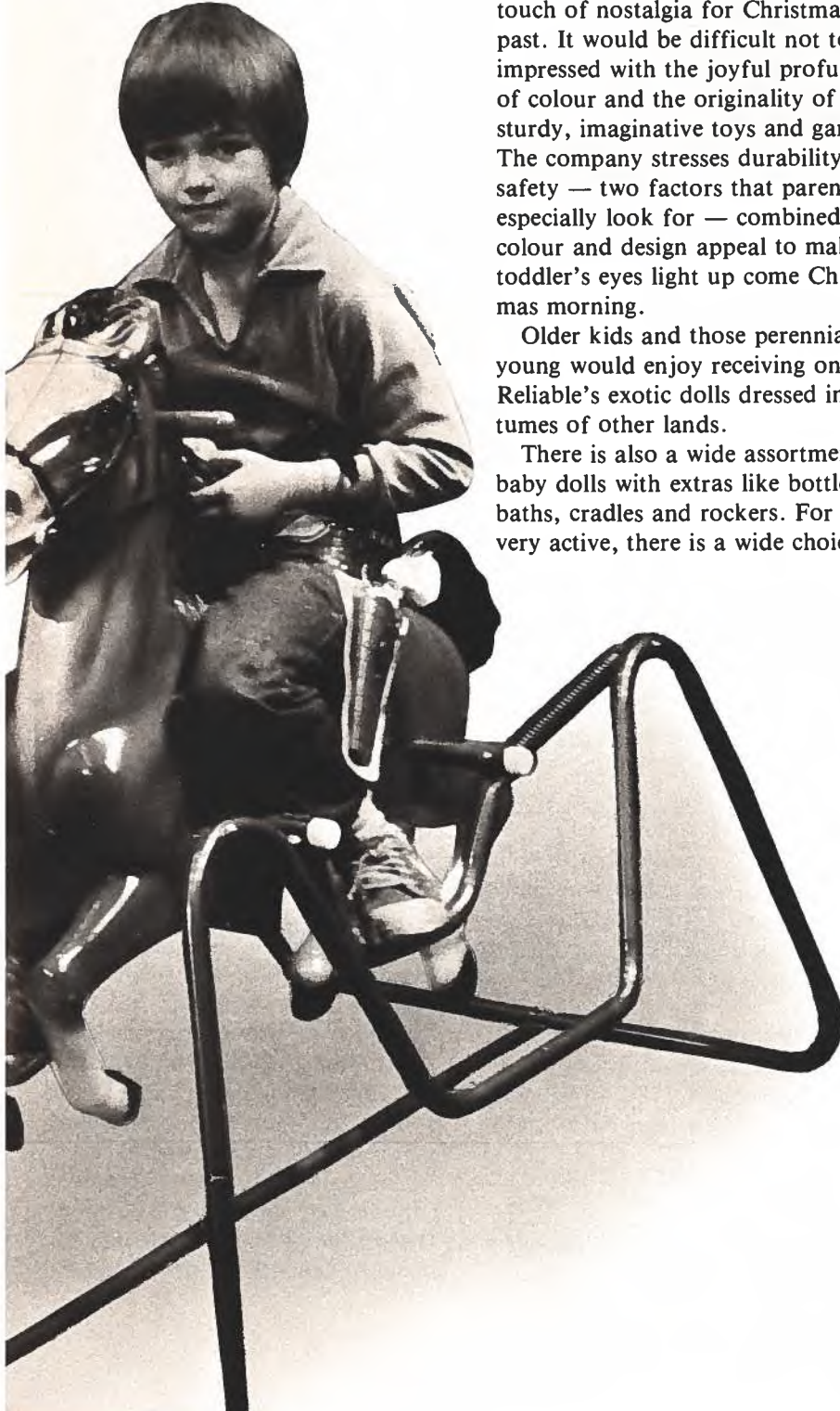
"We have gone to a large product line mix because of the relatively small Canadian market," explained Herb Samuels, the company's Vice-President. "This means that we do not have extremely long production runs with their attendant economies. We're also quite flexible in moving to meet trends and are not dependent on one item or small group of items to make or break us."

Reliable does not advertise its products, preferring to rely on the consumer's ability to recognize a good product at a reasonable price. This self-perpetuating advertising, plus the company's reputation for excellence, makes Reliable a resounding success.

Herb Samuels is quick to point proudly to the people who help the company live up to its name. "We have a workforce of approximately 300 people with representatives of a veritable United Nations of nationalities from Italian, Greek, Portuguese, Chinese, West Indian, English and other backgrounds." Then his voice took on a conspiratorial air.

"Rumour has it that we also count among our workforce, some of Santa's elves. This latter group, it must be understood, are kept hidden from the Department of Labour so this must be kept confidential to you and your readers only."

Now, I don't know about you guys, but I don't intend to tell a soul.



Economists' Corner

Canada in the Context of the World Economy

The level of economic activity in the major OECD countries in the past two years (as measured by real GNP) was generally low by historical standards. This poor growth performance is expected to worsen in the first half of 1981. Canada's performance in 1979, although superior to that of the U.K. and the U.S., was poor relative to both historical standards and the performance of its other major trading partners. This is expected to change somewhat in 1981 due largely to the fact that Canada and the U.S. went into a recessionary position relatively early and should be starting the expansionary stage of the business cycle by mid-1981.



PERCENTAGE CHANGE IN SEVERAL MAJOR ECONOMIC INDICATORS FOR THE SEVEN MAJOR INDUSTRIAL COUNTRIES, ACTUAL 1978-1979, FORECASTS 1980 AND FIRST HALF 1981

Table 1
Real G.N.P. (G.D.P.)

Year-to-Year

	Annual Average 1966-67 to		From Previous Half Year		
	1976-77	1978	1979	1980*	1981* 1st Half
U.S.	2.8	4.4	2.3	-1 ¹ / ₄	0
Japan	7.8	6.0	6.2	4 ³ / ₄	3 ³ / ₄
Germany	3.6	3.5	4.3	2 ¹ / ₄	1
France (GDP)	4.6	3.3	3.2	2	¹ / ₂
U.K. (GDP)	2.1	3.5	1.7	-2	-1
CANADA	4.7	3.4	2.7	1 ¹ / ₂	2
Italy (GDP)	3.9	2.6	4.7	2	-1 ¹ / ₂

Table 2

Consumer Prices

From Previous Half Year

	Consumer Prices			From Previous Half Year	
	1978	1979	1980*	1981* 1st Half	1981* 1st Half
U.S.	6.8	8.9	11	9	
Japan	4.2	3.7	7 ¹ / ₂	6 ¹ / ₄	
Germany	2.7	4.2	5	3 ¹ / ₂	
France (GDP)	9.3	10.7	13 ¹ / ₄	11	
U.K. (GDP)	9.0	13.3	18 ³ / ₄	14 ¹ / ₄	
CANADA	8.9	9.2	9 ¹ / ₂	10	
Italy (GDP)	12.4	15.7	20 ¹ / ₂	15 ¹ / ₂	

Table 3
Adjusted* Unemployment Rates

	Adjusted* Unemployment Rates			1980	
	1977	1978	1979	1st Half	Average 1973-80
U.S.	6.9	5.9	5.7	6.0	2.1
Japan	2.0	2.2	2.1	1.8	0.8
Germany	(3.6)	(3.5)	(3.2)	(2.8)	-0.7
France	4.9	5.3	(5.9)	(6.0)	0.1
U.K.	(6.1)	(6.1)	(5.8)	(6.0)	-0.1
CANADA	8.1	8.4	7.5	7.4	2.7
Italy	7.2	7.2	7.7	7.8	0.8

Table 4
Total Employment

From Previous Half Year

	Total Employment			From Previous Half Year	
	1978	1979	1980*	1981* 1st Half	1981* 1st Half
U.S.	4.2	2.8	¹ / ₄	³ / ₄	
Japan	1.2	1.4	1	1	
Germany	0.3	1.3	0	-1	
France	0.4	-0.1	- ¹ / ₄	- ¹ / ₂	
U.K.	0.4	0.2	-1	-1 ¹ / ₂	
CANADA	3.3	4.0	2 ¹ / ₂	1 ¹ / ₄	
Italy	0.5	1.1	³ / ₄	- ³ / ₄	

Note: The figures in brackets have been adjusted to international definitions by the OECD.

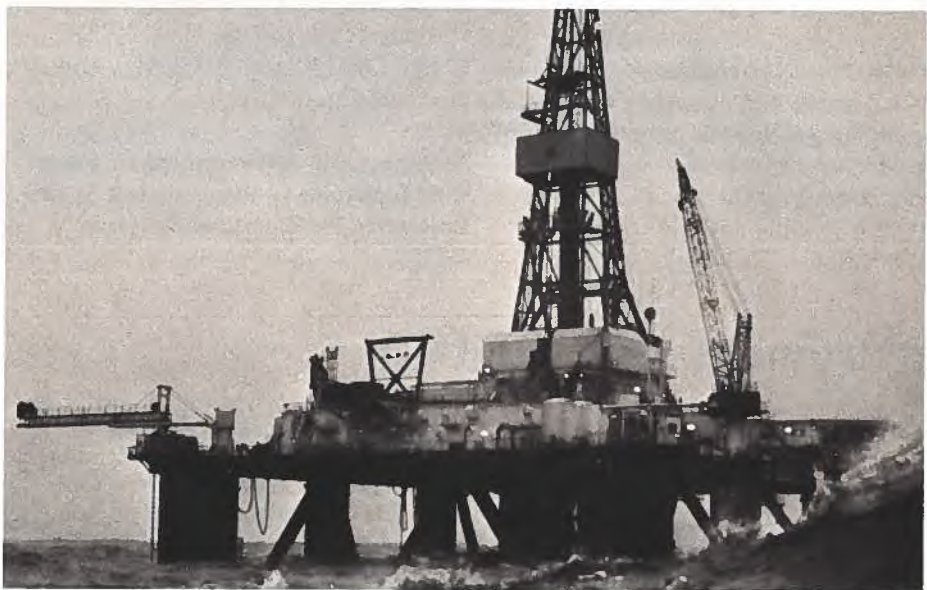
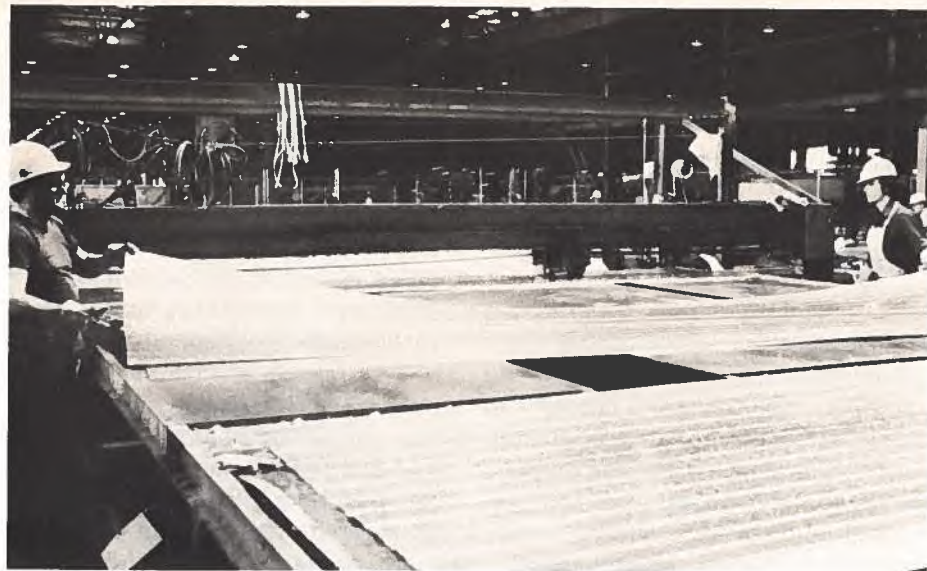
*as forecast in the OECD Economic Outlook, July, 1980, No. 27.

Inflation, as measured by the Consumer Price Index, accelerated in 1979 in all of the major economies except Japan. Much of this deterioration in consumer prices was due to the sharp rise in OPEC oil prices. As it has for a number of years, Italy had the poorest price performance, with an increase of 14.8 per cent, and Japan the best at 3.1 per cent. It is expected that inflation will continue to accelerate through 1980 as a whole and will be particularly high in Italy, Germany and France. The first half of 1981 will see a moderating of the trend; however, inflation will continue to be high by historical standards.

Unemployment in the major OECD economies has for the past three years been a persistent problem. In no country is this more evident than in Canada. In both 1977 and 1978, Canada demonstrated the highest unemployment rate of the seven major economies. In 1979 this dubious honour was relinquished to Italy by a small margin. The OECD is reticent to forecast unemployment rates; however, with the OECD countries moving towards recession the outlook is sombre. For the area as a whole the unemployment rate will likely reach nearly 7.0 per cent by mid-1981. A high portion of this unemployment will be among youths, with a youth unemployment rate of 13 per cent forecast for the major economies.

The generation of new employment has for the past several years been considerably higher in North America than in the rest of the OECD. In 1979, total employment in Canada increased by 4.0 per cent, by far the largest country increase. The United States also enjoyed a high increase while employment in France actually declined. In 1980 and the first half of 1981 it is expected that Canada will again lead in employment creation with the other major economies showing only marginal increases or declines.

The forecasts presented here were prepared in June, 1980. Since that time the severity of the recession in the United States and Canada has become apparent, although its length



is still in question. It has also become apparent that the remainder of the major economies are facing declining growth in real output in the second half of 1980. The rate of inflation in several of these countries may be worse than forecast due to the possibility of higher than forecast oil price increases resulting in part from the increasingly unsettled conditions among the OPEC countries. Given the tight monetary and fiscal policies being adopted in most OECD countries in an attempt to reduce inflation, it is expected that economic recovery in 1981 will be slight by historical standards.



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Small but technologically advanced Canadian companies appear to be flourishing particularly in Quebec, as Canada Commerce contributing writer, André Fortier, is finding out. Here, he describes two such inventive enterprises doing very nicely in markets at home and abroad. . . .

Gentec

How has a small Quebec business been able to break into and assert itself in both Canadian and international markets? In the case of Gentec, the answer is simple. The firm, which employs about 50 persons, has concentrated on three key elements: research and development, diversification and marketing.

Research and Development

Gentec began operation in 1959 with production of the call power regulator which it has patented in almost every country in the world. This was only a beginning and the company did not rest on its laurels. Gentec

management wanted to provide the company with every opportunity to establish itself as a firm specializing in advanced technology.

For this reason, in 1969, in co-operation with the federal government — in particular through the PAIT* and DIP (Defence Industry Productivity) programs of the Department of Industry, Trade and Commerce — Gentec developed and perfected the TEA C02 laser, several versions of which (the DDL 2SH, R-200, DD-250 and DD-300) it now produces for export.

***Program for Advancement of Industrial Technology, now replaced by the Enterprise Development Program (EDP).**

Last year the company perfected another new product, the power factor regulator. Currently, Gentec has a contract with the federal government which enables it to continue research in this area.

Diversification

These research and development efforts have enabled Gentec to diversify, as the company's structure shows.

Gentec has three sections: **the industrial, electro-optics and repair and calibration departments.**

The electro-optics department produces all TEA C02 laser models, joulemeters (which calculate the power of laser rays in joules) and analogous or digital laser energy meters.

The industrial department produces the call power regulator, the power factor regulator and wire mesh heating systems.

Finally, the department which

Instrumentation GDD Inc.

Have you ever heard of the electronic clinometer, metal sounding rod or metal sounding coil? Probably not, if you don't prospect for minerals, survey forests, lay out roads, calculate cuts and fills or read gravimeters. And yet these highly specialized instruments, designed and soon to be patented by GDD, may very well revolutionize those fields for which they have been produced.

The Electronic Clinometer

The electronic clinometer has already started this revolution. The prototype of this instrument was perfected in 1977 and, so far, all 50 or so units already produced have been sold or rented, and are in use in Canada, Mexico, Europe, Africa and the United States. Given the fact that GDD's electronic clinometer has been on the market for less than a year, this is a highly satisfactory and promising result.

Essentially, the clinometer measures differences in elevation without visual contact. A single reading can measure a difference in elevation of up to 30 feet (9 m). The electronic clinometer is at least twice as fast as its optical counterpart in open areas and several times faster in wooded areas and valleys.

Thus far, the instrument has proved itself so well that it is now used for more than 50 per cent of all gravimetric readings made in Canada.

With the co-operation of IT&C through its PEMD program, Instrumentation GDD has participated in conferences in Europe and the United States. The direct result is that electronic clinometers are already in use outside Canada. This year, the company will take part in a geophysical trade fair in Houston, Texas.

Considering that the company was founded only in 1976, it has accomplished a great deal in a very short period and its prospects are bright. GDD is another company which Quebec and all of Canada needs to become leaders in the field of high technology.

Other Scientific Instruments

The electronic clinometer is not the only scientific instrument this small Quebec firm has perfected. It has also designed a metal sounding rod and metal sounding coil, two unique inventions now being patented.

Since the two instruments are based on the same principle and have exactly the same function, they are really two forms of a single invention. Choosing between

them is a simple matter of user preference.

The instruments are detectors which react only to blocks of conductor rock (sulphide) which often contains valuable ore. They are made of a spool which reacts to the presence of magnetite, or conductor ore, and a treatment module which differentiates between the two and sets off an audio signal only if it detects a conductor ore.

These revolutionary instruments have only just gone on the market, but their potential is excellent.

A final innovation is an instigated polarizer (IP) complete with micro-computer, which GDD has perfected and patented. This is another instrument with applications for the mining industry.

During its short life, GDD has produced a number of inventions through its ongoing research activities; these have applications mainly in the fields of electronics and mining exploration.

As with other small, progressive businesses in Quebec, GDD employs a number of highly qualified engineers and technicians. Considering that the company was founded only in 1976, it has accomplished a great deal in a very short period and its prospects are bright. GDD is another company which Quebec and all of Canada needs to become leaders in the field of high technology.

repairs and calibrates electrical and electronic instruments has doubled its business turnover in two years, largely through contracts with Chantiers Davie and the Department of National Defence. The company is also known for the quality of its custom-made instruments and currently has contracts with Hydro-Québec, Bell Canada and Bombardier.

Marketing

Through its research and development activities, diversification and a truly remarkable team composed of an engineering physicist, a doctor of physics, an electrical engineer and several qualified technicians, Gentec can be justifiably proud of its broad commercial base. This could not, however, have been achieved without good marketing techniques.

Gentec management understands the importance of marketing and has given it a great deal of attention, particularly over the past two years.

For example, the company has taken part in a number of international trade fairs with the assistance of IT&C through PEMD (Program for Export Market Development). In this way, the company has exhibited its products in France, Germany and the United States (CLEA in Washington) and this year will take part in the CLEOS trade fair in San Diego, California.

Participation in such events, together with a strong marketing policy, has resulted in sales in an impressive number of countries. Gentec electro-optical products, for example, may be found in mainland China, Japan, the USSR, France, Germany, Britain and the United States. As well, the company regularly receives requests for tender, the most recent of which came from India.

It should also be noted that Gentec has been as successful in Canada as it has in the international market place. The Quebec firm's products may be

found in Quebec and Ontario, as well as Alberta, British Columbia and Newfoundland. Foreign sales are made through the electro-optics department and domestic business is conducted mainly through its industrial department.

Conclusion

There is little doubt that Gentec's careful attention to these matters is now paying dividends. As a result, the company is expanding and, in addition to having an office in Montreal, has, since May 1, had another in Toronto.

Gentec's foreign sales are conducted through a network of distributors, which includes such large companies as Siemens of Germany. Representatives of this calibre provide Gentec with a sophisticated marketing system.

The market's hot!

Wood-fired furnaces warmly welcomed

FOLLOWING THE JETSTREAM — IT&C's Austin L. Bowman, Regional Officer, Charlottetown, P.E.I., shakes the hand of Wayne Noyes, driver for Sandhill Inc., the Jetstream dealer in Peterborough, New Hampshire, before Noyes takes off with the first full load of Jetstream Wood-Fired Furnaces. The load left Charlottetown bound for New Hampshire from West Royalty Industrial Park on September 26, 1980. Standing proudly in the centre is Dennis N. Edell, Vice-President Marketing, Hampton Technologies, flanked at far left by Park Manager Jim McTague and far right by Stan Hayes of the P.E.I. Market Development Centre. Hampton's Production Manager Graham Schofield is on the loader. The company made inroads in the U.S. through two market identification projects sponsored by PEMD (Program for Export Market Development) early in 1980 which pinpointed the Mid West and the New England States for prospective sales. Hampton is also benefiting from an ongoing EDP (Enterprise Development Program) approved in January 1980 which is providing financial support for an alternate fuel capability, automatic light-up system and automatic stoking system. Filling a need in the present energy heating crisis, the Jetstream is finding an eager market and enjoying brisk sales through a network of dealers in the U.S. and Canada.



Starting a new company and — more importantly — making a success of it, is no easy task. Serendipity, or unexpected good fortune, can certainly be a launching pad, provided it is supported by determination, expert advice, guidance and the assistance available through government programs. That's the lesson learned (and conveyed here) by Bill Bartels and Jim Smith of Canparts Automotive International Ltd.

“Can Do” Philosophy Creates Canparts

Do you believe in serendipity? Bill Bartels, Jim Smith and Bill Jones do. It was nothing less than brought the three men together at a reception during a Toronto seminar organized by the Ontario government.

And the chance meeting spelled s-u-c-c-e-s-s for Bartels and Smith.

At the time of this momentous meeting, Jim Smith and Bill Bartels worked for a large foreign subsidiary manufacturing brake shoes. Both men had a hankering to start their own business, saw an opportunity but didn't have enough money to make it a reality. If their new company were ever to be launched, it would have to be done on a (brake) shoe string.

Enter Bill Jones, then IT&C's Regional Director General for Ontario. The three men began to talk and from this apparently casual conversation, the first image of Canparts Automotive International Ltd. started to emerge. Today the company is a very successful manufacturer of automobile disc brake pads for the worldwide automotive replacement parts market.

“During our conversation, I encouraged them to prepare a general outline of what they would like to do,” Bill Jones explained. “Then I pulled a group of my people together and we discussed with Bartels and Smith the various types of assistance available from both the federal and Ontario governments.”

In this particular instance, they were eligible to receive support up to \$200,000 through IT&C's Toronto office under the Loan Guarantee Section of the Enterprise Development Program (EDP). Although this was a big help, it could only go so far in financing the operation, so a meeting was arranged with the Federal Business Development Bank, the Ontario Ministry of Industry and Tourism and the Ontario Development Corporation.

“Before the meeting, we put them in touch with Altech Engineering Ltd., a firm in Mississauga whom we had helped through EDP assistance in the form of innovation grants. They had developed and were producing equipment especially designed for the manufacture of disc brake pads and were able to quote from

prices and a delivery schedule for their machinery. With this information Smith and Bartels presented a proposal that was acceptable to all parties concerned.”

It was a perfect example of utilizing Canadian developed equipment, Canadian know-how and Canadian raw materials, together with joint financial support from federal and provincial sources to produce yet another Canadian product mainly for the export market.

Bartels and Smith were then encouraged to make use of another Canadian government assistance program — IT&C's Program for Export Market Development (PEMD). With PEMD help they visited markets *before going into production* and obtained advance orders for the product. Trade Commissioners around the world were contacted and the response was almost overwhelming.

Canparts now has sales in 20 countries with many new market areas in the process of development.

The company began production in March, 1980, about one year after the initial contact, and now produces more than 80 different types of brake shoes. Product line is geared to Japanese and European cars — a good choice, since Japanese and European car sales are growing throughout all world markets and this knowledge helped to ensure viability of the plant in advance.

Canparts now has sales in 20 countries with many new market areas in the process of development. The company sells everything from turnkey operations to licensing arrangements. During 1980, its products were displayed at the U.S.A. A.S.I.A. Show in Chicago, the Canadian International Automotive Show (A.I.A.)* in Montreal and just recently in September at the Automechanika '80 Show in Frankfurt, Germany under IT&C's Trade Fairs Program.

*Automotive Industries Association

The product is now in such demand that the company is producing on a three-shift basis, something company executives speculated would happen only in about two years' time.

“The great thing about being a small, independent company is that we are much more flexible and able to move faster,” Jim Smith enthused. “We are not inhibited in any way by parent companies outside Canada and we have the freedom to decide where we want to export and also what equipment we want to buy without going through a whole lot of corporate red tape.”



Canparts has not disappointed those who helped in its launching. Product quality and customer service are a Canparts trademark. Top quality brake lining materials have been developed by Canadians using Canadian raw materials and equipment to produce a product which is in demand in all export markets as well as in the Canadian one. Customer service is stressed by company personnel who delight in filling orders promptly in choice package designs to meet customer demands.

The plant, which houses its factory/office complex at Cambridge, Ontario, was officially opened by the Honourable William Davis, Premier of Ontario, on August 18, 1980. It was a proud moment for joint owners Bill Bartels and Jim Smith who are lavish in their praise of both government assistance and company employees.

“Our company is a classic example of the way effective government programs can create jobs by helping private enterprise form a new manufacturing company,” Bill Bartels said. “But any company is only as good as the people who work there and to me this is the greatest strength at Canparts. We have a strong eight-man management team backed by more than 40 superior production and office employees. This experienced management team and employees coupled with enthusiasm, know-how and commitment to hard work are the plusses we offer our customers.”

Many potential exporters may not have discovered the invaluable aid that can be provided by Commercial Officers located in Canadian Consulates and High Commissions throughout the world. But John Leighton, President of Leighton & Kidd Ltd., has — having first conceived a product with world-wide sales potential.

Tapping the Problem — Taping the Solution



John Leighton and Tom Ailles edit training tapes in an office at Leighton & Kidd, Toronto. Photo Credit: Globe and Mail, James Lewcum

Almost everyone is uncomfortably familiar with this scenario. It's Christmas Eve. Daddy or Mommy is down on the floor frantically trying to follow instructions for the Whats'oo which has been packed for "easy assembly." And the instructions are in German or a kind of English that closely resembles Double Dutch.

But this same scenario is less laughable when it happens in a faraway country where, instead of a Whats'oo, company officials are puzzling over the unexpected shutdown of costly machinery. And the mystery of how to make the wheels turn again is hidden in poorly written or badly translated manuals.

The result is that equipment exported to developing countries often tends to deteriorate from lack of maintenance or the know-how to keep a machine in top running order.

Problems of this nature are happily slipping into oblivion thanks to the ingenuity of a Toronto group of consulting engineers. Just four years ago Leighton & Kidd Ltd. was asked by a Rockville, Maryland, company to make a videotape to be used for training thermal power plant operators.

Leighton & Kidd wrote the script and produced the tape. Much to the company's delight, it was a "resounding success" and the consulting engineers were soon developing a series of colour videotape programs for training workers in a variety of industries and trades including pulp and paper, automechanics, industrial maintenance and machine technology.

The programs come complete with instructor's manuals and student work books.

Since trained workers often move away from work sites in developing countries leaving untrained personnel to operate the equipment, the video tapes are invaluable. One picture is indeed worth more than 10,000 written words.

"What was otherwise a staid consulting firm, providing expert witness service or studying electric utility rates is now involved in free-wheeling marketing," John Leighton, the president of Leighton & Kidd, said. "This aspect of the business is becoming a major preoccupation, but we also like to maintain a balance with consulting as this keeps us technically up to date."

One recent successful venture took place last March in New Delhi.

"We and one of our Toronto associates, Slater Energy Consultants Inc., chose India because we considered it might offer a good sales potential now and in the future," Leighton said.

They then took definite steps towards making a substantial inroad there.

"We contacted the Commercial Section of the Canadian High Commission in New Delhi and requested commercial information on India's electric power industry. From this valuable contact we were then able to assemble a mailing list of appropriate officials of the State Electricity Boards and the various federal authorities."

The company then mailed letters and literature to the various officials, which confirmed that a market did indeed exist.

"Further consultation with the High Commission enabled us to decide on the format, location and timing of a seminar. Printed invitations were mailed with an

additional supply forwarded to the High Commission for local use."

Arrangements were then made through the High Commission for conference space and for the audio visual and other equipment.

The carefully detailed preparations paid off in spades. The seminar was attended by some 150 participants from all over India and was a huge success.

More than 150 companies in five continents have already made use of L&K's unusual system of training tapes, which include electric utility, mining, construction and chemical industries.

Simplicity is the keynote to success. Says Thomas Ailles, manager of L&K's training division: *"The basic goal of these training programs is to translate high-technology processes into simple, clear language in an interesting manner. We have to keep reminding senior executives we are not training engineers and technicians. We are training the people who run the machines and upon whom production depends."*

Ted Major, another Leighton & Kidd principal, concurs. *"The place where training is most needed is on the shop floor. It is there that the biggest gains are to be made in motivation and job performance. It is there that a small increase in basic knowledge can often result in a superior product and less down time."*

The L&K tapes not only offer the advantage of standardization, but the programs can be modified to meet the specific requirements of individual mills.

Individual tapes cost in the neighbourhood of \$750 whereas a complete training program could cost about \$100,000 but when you compare this to maintaining knowledgeable consultants for an indeterminate time, it amounts to peanuts. And for individual companies that can translate into a lot of peanut butter.

Leighton & Kidd also make extensive use of the Canadian commercial service in many other parts of the world. The service helps the company contact local agents and ensures that L&K material clears the various customs and censorship barriers. While establishing the company's worldwide distribution network, the company did not hesitate to contact the Commercial Offices in London, Hong Kong, Manila, Singapore, Kuala Lumpur, Sydney and Colombo.

Future plans include presenting a series of seminars on training throughout South Asia and possibly the People's Republic of China.

"We think that one of the best ways for Canadian manufacturers to secure export orders is to provide a proper operation and maintenance training package with their machinery," John Leighton said. "We are busy selling this concept and feel that it offers a good opportunity for future business."

Trade Fair Round-Up

by Lillian Jones

Canadian grain drier big hit at farm show

Like Canada's Prairie Provinces, the mid-west of the United States is well known for its rich soil and fertile farmlands. It seems fitting then, that the Farm Progress Show would be presented in Nevada, Iowa, from September 30 to October 2, 1980.

It was also predictable that much interest would be generated by the 11 exhibitors from Canada and their wide range of agricultural equipment.

On-site sales amounted to \$365,000 with 12-month follow-on sales estimated at \$5.15 million. And this is from only one farm equipment show. Last year farm equipment exports brought \$847.6 million to our shores.

Thousands of visitors were attracted to a grain drier belonging to Vertec Industries Ltd., Vermillion, Alberta, even though it was located about a quarter of a mile away from the Canadian space. The huge machine has no trouble drying even the smallest batches of grain or seed.

Innovative Implements Inc., Chatham, Ontario, reported that three of its major competitors came to the exhibit to see the company's revolutionary new mixing concept machine.

Show Attracts More than 1,000 Exhibitors

The 13th International Printing Machinery and Allied Trades Exhibition was held at the National Exhibition Centre in Birmingham, England on September 11 to 19, 1980.

Designed as an international forum to sell printing machinery and related equipment, IPEX attracted more than 1,000 exhibitors and buyers from all over West Europe, Asia, India, Africa, Australia, the Middle East and some countries from behind the Iron Curtain. The exhibition was closed to the general public.

Seven Canadian companies participated, comfortably filling the contracted floor space. The companies displayed a variety of equipment and made \$1,000,000 in on-site sales with \$7,500,000 projected during the following 12-month period.

One Ontario company received three large orders on site and is anticipating selling seven presses before September 1981.

All exhibitors expressed satisfaction with the results. Most want to participate in Drupa in 1982, saying that in their books it was a "must." Others expressed an interest in Singapore as an access to Australia, New Zealand and Asian markets.

Buyers flock to Kentucky

Louisville, Kentucky, was the scene of the International Woodworking Machinery Supply Fair held September 13 to 17, 1980.

Twenty-one Canadian exhibitors, mostly from Ontario and Québec and including one from Regina, Saskatchewan, played an active role in the success of the show which generated follow-on sales of more than Cdn \$10,000,000.

The wood products and machinery buyers were from such areas as the United States, Australia, Nigeria, Saudi Arabia, United Kingdom and Ecuador.

Numerous Success Stories

The Automechanika '80 Show held in Frankfurt, Federal Republic of Germany, on September 18-23, 1980 drew 1,479 enquiries. On-site sales amounted to \$1,403,000 with \$10,900,000 projected over a 12-month period.

Although 18 of the 28 Canadian companies were exhibiting at Automechanika for the first time, there were numerous individual success stories. One company reported it had 83 enquiries from 32 different countries.

AMH Canada, Rimouski, Quebec, demonstrated a working tube bending machine for auto exhaust systems. Apparently no other European benders of comparable design were exhibited.

Each of the exhibitors was visited by TUV Rhineland and German Standards Organization who gave tips on the modifications needed to meet German standards.

Guy-Chart Tools Ltd. of Pickering, Ontario, has participated in Automechanika since 1972. It has consistently been successful in its increasing penetration of the European market. The company has now established its own German subsidiary to sell and service automotive frame straightening equipment in this market area.

S.P.G. International Ltd. of Drummondville, Quebec, manufacturers of mechanic's tool boxes and chests not only made substantial on-site and projected sales but signed distributorship agreements with representatives from Holland and Germany.

Exhibitors were unanimous in their praise of the Department's organization, the assistance rendered, the exhibit space and Automechanika as an international market for their wares in Western Europe.

I.T.&C. Promotional Projects Program

The following is a current list of trade fairs and missions projects which will be sponsored during the period January 1 to March 31, 1981. For information concerning the European, Middle East or African region call (613) 995-7334 — for Western Hemisphere or Pacific area call (613) 995-8303.

Trade Fairs

Europe, Middle East and Africa Division

**MIDEM '81 — International Record and Music Market
Cannes, France
January 14-24, 1981**

MIDEM is the only commercial trade fair of international importance in the music field. It is a major venue for the conduct of international trade for Canadian composers and publishers.

The 1981 event represents the ninth participation by the Department in its effort to sustain the promotion of Canadian music in foreign markets.

**International Spring Fair '81
Birmingham, England
February 1-5, 1981**

The International Spring Fair is considered to be Europe's greatest exhibition of hardware, giftware and allied products. The fair is organized and co-sponsored by Trade Promotion Services Ltd. in co-operation with the British Hardware Promotion Council, and supported by the British hardware and giftware industries.

Held at the National Exhibition Centre, the fair is attended by some 2,500 exhibitors and is open to business visitors only.

**International Music Fair
Frankfurt, West Germany
February 7-11, 1981**

The first independent International Fair for Musical Instruments, Music Accessories and Music Publishers will be held at Frankfurt in February 1981. Some 500 exhibitors from West Germany and 23 foreign countries will exhibit in a space area of approximately 23,000 square meters.

The Department is participating for the first time to assist the Canadian music industry in its export market development.

**DOMOTECHNICA '81 — International Fair for
Household Appliances, Fittings and Components
Cologne, West Germany
February 11-14, 1981**

This event is one of three coordinated international trade fairs held in Cologne, West Germany, in February each year. Together they promote the entire range of powered domestic appliances, housewares and hardware. DOMOTECHNICA covers household appliances such as electrical heating equip-

ment, washing machines and dryers, refrigerators and freezers, and other powered equipment.

Some 30,000 dealers, buyers and others visit the fair to look at the products of more than 500 exhibitors from 30 countries.

**International Men's Fashion Week
Cologne, West Germany
February 22-24, 1981**

More than 700 firms from 25 countries exhibit at the International Men's Fashion Week in Cologne, Germany. The fair is known as one of the most important events for the promotion of men's and boys' clothing and outfitting. It is held twice a year, in August and in February/March, for the presentation of the Spring/Summer and Fall/Winter collections respectively.

The Department is participating in February 1981 with the objective of supporting Canadian firms interested in markets in West Germany and other European countries for winter outerwear.

**ISPO '81 (Winter) — 14th International Sports
Equipment Fair
Munich, West Germany
February 26 - March 1, 1981**

The most successful international show in the world for winter sports goods, offering unparalleled exposure to current technology, fashions, tastes and trends, ISPO attracted more than 24,000 visitors in 1979. Only trade buyers are admitted to the fair which includes the products of 1,000 exhibitors from some 30 countries.

Together with SPOGA, this event represents the most important venue for Canadian sporting goods in the European market.

**Salon International de l'Agriculture
Paris, France
(Information Booth)
March 8-15, 1981**

Held in March during the Semaine internationale de l'agriculture, this show is one of the specialized exhibitions offered to producers, breeders and agricultural suppliers from all over the world. Considered to be the largest of its kind, it attracts visitors from 80 countries.

While participating at SIMA with a full exhibit, the Department will have an Information Stand at the Salon international de l'agriculture promoting sales of Canadian cattle, swine and semen.

SIMA — 52e Salon International de la machine agricole
Paris, France
March 8-15, 1981

Each year in March, the Semaine internationale de l'agriculture occupies the entire exhibition at the Porte de Versailles in Paris. It is a major public event, as well as a collection of specialized shows which attract more than one million visitors. Agriculture Week comprises: SIMA — Salon international de la Machine agricole et Salon de la Motoculture de Plaisance/Jardinage (Agricultural Machinery Show and Leisure Power Cultivation Show); le Salon international de l'agriculture (Agricultural Show); le Salon international des Arts ménagers (Arts of Home-Making Show).

Leipzig International Trade Fair
Leipzig, East Germany
(Information Booth)
March 15-21, 1981

The Leipzig Fair ranks with the most important trade meetings in the world. Representatives of trade and industry, science and technology from every continent assemble twice a year in March and September to gain useful information and valuable contacts. Its international character attracts about 60 countries in March and 50 in September.

The fair comprises two exhibition complexes. In the south-east of Leipzig is the fair ground with approximately 50 halls, pavilions and an extensive open area where capital goods prevail. The 16 fair buildings in the city centre for the most part show consumer goods.

GDS — International Footwear Fair
Duesseldorf, West Germany
March 21-23, 1981

Twice a year, in the spring and in autumn, footwear manufacturers from all over the world are invited to show their latest collections for the coming season at the Duesseldorf Trade Fair. The two GDS events attract an annual attendance of some 50,000 buyers from more than 30 countries.

This will be the third participation by the Department. It represents a concentrated effort to pursue the penetration of Canadian footwear in the European market.

Western Hemisphere and Pacific Division

PAS — Pacific Automotive Show
San Francisco, California, U.S.A.
January 13-15, 1981

The Pacific Automotive Show is held annually on the West Coast of the United States at different locations. The whole spectrum of the automotive aftermarket industry is represented including specialized areas for machine shop equipment and supplies, paint, body and equipment manufacturers.

The Department is participating for the second time. In 1979, the Department also sponsored an exhibit at that show which on that occasion was joined by ASIA presentation.

Business and Institutional Furniture Show
Minneapolis, Minnesota, U.S.A.
January 1981

(*)

Leisure/Sporting Goods Show at CTC
Tokyo, Japan
January 20-23, 1981

(**)

Canadian Contract Furniture Show
Portland, Oregon, U.S.A.
February 19-20, 1981

(*)

International Toy and Sporting Goods Trade Fair
Sydney, Australia
March 8-11, 1981

The Australian Toy and Sporting Goods Fair is recognized as an excellent vehicle for the promotion of toys and sporting goods in both Australia and New Zealand.

The 1981 presentation will represent the third year of a comprehensive marketing strategy with emphasis on toys. Noted for their quality and design, Canadian toys and games have sold well in the Australasian market.

ASIA — Automotive Service Industry Association Show
Chicago, Illinois, U.S.A.
March 11-12, 1981

ASIA is one of the two largest national shows in the United States for the promotion of aftermarket automotive parts and accessories. Buyers and agents from all over the U.S. attend this event which, together with the APAA Show, constitutes the most important meeting place for the industry sector.

Held on the East Coast, ASIA takes place both on the East Coast and the West Coast every third year with the latter presentation being held jointly with the Pacific Automotive Show — PAS.

Snow Show
Las Vegas, Nevada, U.S.A.
March 14-18, 1981

The Snow Show is sponsored by the Ski Council of America and is normally held in March in the Las Vegas Hilton Hotel Exhibition Centre. It takes place at the same time as the Ski Industries of America "Ski Show" in the Las Vegas Convention Centre. The Ski Show, however, is open only to companies with a U.S. base.

Originally organized to accommodate companies not eligible to participate in the Ski Show, the Snow Show, to be held for the 18th year in 1981, attracts some 190 exhibitors whose number is limited only by space. Buyers invariably

visit both shows to look at the latest innovations offered by the United States and foreign countries in ski apparel, fashion accessories, footwear, ski and other related equipment, and some non-ski lines.

American International Fur Fair
New York, N.Y., U.S.A.
March 21-25, 1981

The first American International Fur Fair was held in the New York Coliseum in March 1979. It was established as a showcase for design creativity and craftsmanship in fur. This event has received the endorsement of the American Fur Industry, an organization representing virtually every segment of the fur trade in the United States. Exhibitors from more than 12 countries shared the 120 booths available — two-thirds from the U.S.

Computer/Communications Show at CTC
Tokyo, Japan
March 24-29, 1981

(**)

Food Products Sales Meetings and In-store Promotions
Minneapolis, Minnesota, U.S.A.
March 1981

Food Products Sales Meetings and In-store Promotions in selected supermarkets are considered by the Department as effective vehicles for promoting Canadian-processed foods and beverages which are viewed favourably by United States consumers. Canadian companies have responded to this type of marketing strategy as generally the cost to each individual company would prohibit them from participating in this type of enterprise on their own.

Jewellery Show at CTC
Tokyo, Japan
March 1981

(**)

(*) Business and Institutional Furniture Show — 1980/81 United States

As part of its strategy to promote Canadian business and institutional furniture in the United States, the Department sponsors a number of solo presentations at strategically-important markets. These shows are organized by our U.S. Consulates and are designed to bring Canadian business and institutional furniture to the attention of architect specifiers, interior designers and principal end users.

Some of these presentations are held in conjunction with regular events, some at locations negotiated by our Consulates.

() Canada Trade Centre — World Import Mart**
Tokyo, Japan
All Year

The World Import Mart is part of a greater complex known as "Sunshine City" which includes a 1,000 room hotel (under construction), a 60-storey office tower, a culture centre building, museums, sports facilities and several stores and restaurants.

The Department is occupying space in this complex and the Canada Trade Centre in Tokyo was officially opened with a Jewellery and Furs Show in January 1979. Many Canadian manufacturers have since been invited to display their products and this promotional program will continue during 1980/81.

Trade Missions

U.S. Buyers' Mission to Toronto International Boat Show, Toronto
January 11-20, 1981

More than 100 marine dealers, agents and distributors from the United States will be invited to this show where some 250 exhibitors will display their products.

Clothing Buyers' Mission to Canadian Outerwear Fashion Fair, Winnipeg
February, 1981

More than 200 buyers from the United States will be invited to this fair where 25 to 30 Canadian manufacturers will display outerwear fashions.

Automotive Aftermarket Parts Mission to Mexico
February, 1981

Experienced Canadian exporters will investigate the market access conditions and establish marketing parameters for the export of automotive aftermarket parts and accessories to Mexico.

Canadian Franchise Firms Mission to Japan and Hong Kong
February 14-27, 1981

Canadian franchisors will investigate the Japanese market where there is a demand for new and different North American businesses.

Display and Merchandising Buyers Mission from the U.S. to the ACDI Show, Toronto
March, 1981

Approximately 50 window display and in-store merchandising buyers from the United States will be invited to the Association of Canadian Display Industries Show.

U.S. Buyers' Mission to Canadian Children's Wear Presentation, Montreal
March, 1981

More than 200 buyers from the United States will be invited

to this presentation where approximately 15 Canadian manufacturers will display children's outerwear garments.

Pulp and Paper Mission from Japan March 18-28, 1981

Pulp and paper sourcing for Japan will be discussed with a view to achieving greater and closer economic and commercial co-operation between the two countries.

Railway Equipment Seminar to Union of African Railways in Abidjan, Ivory Coast March, 1981

IT&C will lead a Canadian delegation to present a technical paper on the standardization of railway operations and equipment.

Loans to Small Business

More money will soon be available to small and medium-sized businesses, mostly those involving the service sectors.

Two bills — C-17 and C-20 — have received royal assent and have now become law. Bill C-17 amends the Small Business Loans Act (SBLA) and increases the allowable limit for guaranteed loans to \$100,000. The ceiling for such loans was formerly set at \$75,000.

Bill C-20, which amends the Federal Business Development Bank Act, increases the amount of capital that may be advanced to the Development Bank.

"The two bills are very much in keeping with the federal government's policy of assistance and encouragement to this very important sector of the economy," said Minister of State for Small Businesses Charles Lapointe. "Loans made under the Acts represent a major source of funding for small and medium businesses. The economic consequences are of national importance."

Last year's loans totalled \$258 million under the SBLA program.

The current program is designed to last two years but could be extended pending result of a study on government financing and funding now being conducted at the University of Western Ontario. The study is sponsored jointly by IT&C and the Canadian Bankers' Association.

Administered by a small IT&C headquarters staff, the program compares favourably with any assistance program of its kind in the world and is one of the most cost effective to the Canadian taxpayer.

And how do companies go about obtaining one of these loans?

"It's a very simple procedure," advises IT&C's Bill Hendry, Manager, Small Business Loans Administration. "They approach their own bank or any financial institution that is accredited under the Act and ask for a loan under the program. The lender can make the loan as long as it falls within the terms of the legislation. There is no red tape involved. The lender simply notifies the Small Business Loans Administration and the loan is guaranteed."

Agricultural Equipment and Services Mission from Nigeria, Kenya and Tanzania March, 1981

Because of their similarity to Canada in topography, soil and crops, these countries are potential markets for dryland farming, grain handling and grain storage equipment.

Poultry & Egg Mission to Kuwait, Saudi Arabia, Iraq and United Arab Emirates March, 1981

Canadian poultry marketing boards and poultry processors will investigate foreign market opportunities.

Visiting Thailand

Canadian businessmen are being asked to take special note of important new changes in Thailand's immigration legislation.

The good news is that Canadians wishing to visit Thailand for a 14-day period can be admitted without a visa. All they must do is present their passport at the port of entry and the immigration authorities will give them a 14-day entry permit.

The bad news is that if the visitors wish to remain longer than 14 days, they must first leave Thailand, head to the nearest international airport and return to Thailand to obtain another 14-day permit.

If a Canadian wishes to visit Thailand for longer than the two-week period, a visitor's visa must be obtained from the Thai Embassy before entering the country. Unlike the 14 day entry permit issued at the point of entry, the visitor's visa can be extended or renewed within Thailand.

"Thai authorities are enforcing the new regulations in a very strict fashion," warns W.J. Roberts, First Secretary Commercial in Bangkok, "and they are not prepared to make exceptions regardless of any intervention made by the Embassy on behalf of the visitor."

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You don't have to be big to deal with Export Development Corporation... you don't have to sell paper mills or power plants or offshore drilling rigs.

One in seven of the Canadian exporters who used our SHORT TERM GLOBAL INSURANCE last year had exports of less than \$25,000 and three in seven had exports of less than \$100,000. As a matter of fact, we had a customer last year whose total premium for one of our policies was about \$10.

No matter which of our services interests you — EXPORT CREDITS INSURANCE, LONG-TERM EXPORT LOANS, or our other financial services — talk to us. We might be able to be of assistance.

EDC is a Canadian Crown Corporation that provides a wide range of insurance, guarantee and loan services to Canadian exporters and foreign buyers to facilitate and develop export trade.


Hugh Dunn, President, Opsal Steel Ltd., Vancouver, British Columbia, exports his logging and mill equipment internationally with EDC's insurance.



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