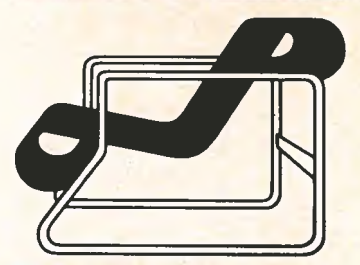
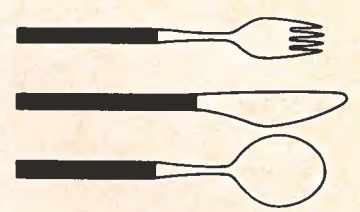
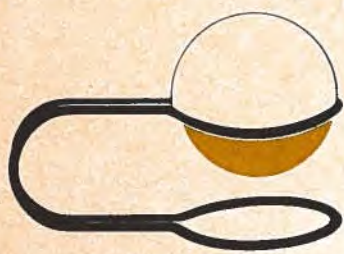


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April/May



Designs for sales success

Reports from Paris, Prague, Buffalo.

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April/May, 1980

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Editorially speaking. . .

Pursuing the Pacific Rim markets has become a major Canadian endeavour — and one whose course has been amply charted by Canada Commerce. In addition to the two Pacific Rim articles carried in this edition, readers might be interested in referring to previous Commerce issues on: Japan, June/July; China, October/November; Australia and New Zealand, December/January.

The medium is the message — and good industrial design is the aid to sales success. Cover story, and how design can help you, page 13.

With a more than 400 per cent increase in two-way trade in only 10 years and an equally important growth in investments and industrial co-operation in both directions, opportunities abound for increased business dealings between Canada and France. The Guide to Doing Business in France (page 5) helps pave the way.

Selling in your own backyard is easy. Take a look at Buffalo (page 16). A little more challenging, but offering ample rewards, is the Czechoslovak market (page 10).

Whether your company is in eastern or western Canada, finding the right contact can be a difficult, often frustrating experience. That's where the Ottawa Business Centre (page 20) — and others across the country — bridge the gap! On a positive note, the Ottawa Business Centre celebrates its second anniversary with a success story.

Knowing how to avoid the many pitfalls can ensure the Successful Life of a Small Business (page 18).

All this and more. . . .

A.H.

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

Publiée aussi en français

France — An Impressive Economic Power

Canada and France have long had close cultural and political links and in recent years economic relations between the two countries have grown rapidly. Two-way trade increased by more than 400 per cent between 1968 and 1978 and there has been an equally important growth in investments and industrial co-operation in both directions. Some economists predict that France will become the most important economic power in Western Europe by the end of the century. Should this prediction come true, Canadian industry must be poised to take full advantage of the many opportunities offered. France's remarkable economic performance is reviewed in the following. . .

Report from Paris

by Maldwyn Thomas, Minister
Commercial Division, Canadian Embassy



Much has been said and written in recent years about the German economic miracle and about the Japanese economic miracle and quite rightly so. However much less has been said about another equally impressive economic miracle — the transformation of the French economy over the last 20 years. In fact, for the past two decades France has enjoyed a rate of economic growth second only to that of Japan among industrialized countries and in the process has become the fourth OECD industrial power and third exporting nation. Yet for some reason this remarkable development has received less

publicity than the German and Japanese success stories and, to many North Americans including many Canadians, the word France is still associated primarily with cuisine, wine, perfumes and the splendors of Paris. Fortunately, these great attributes of French civilisation are still present for visitors to France to enjoy as they have enjoyed them through the ages, but today they are supported by an impressive economic development which has seen the French standard of living soar and which has been accompanied by a major expansion and diversification of French industry. The result is that France today

is a leading industrial power and important player on the world economic stage and, increasingly, a leader in the development of new, sophisticated industrial technologies.

This growth has been achieved by a systematic approach to industrial planning involving the definition of precise national economic objectives, a determination on the part of the government to intervene in the economy where it deems necessary (dirigisme) and a tradition of co-operation between government and industry. The stability which has prevailed in France since the reform of the French political system inaugurated by President de Gaulle in the late 1950s created a climate in which the productive forces of the country could be focussed effectively on economic development. France was thus well placed to profit from the trading opportunities resulting from the creation of the European Economic Community and from the general growth of the world economy in the 1960s and early 1970s.

A key element in French economic policy over the past two to three decades has been the modernization and the rationalization of French industry and its expansion into high technology or "knowledge-intensive sectors" which has served to strengthen the French competitive position internationally. Priorities have been spelled out in a series of national plans and the French Government has used its not inconsiderable control over the French economy to channel industrial activity into areas to which it attaches priority. In the



process, key traditional industries such as the automotive and railway construction industries have expanded greatly and France is among world leaders in these sectors today. Major advances have also been registered in the development of the newer knowledge intensive industries such as aeronautics, nuclear power, electronics in general, telecommunications and space. The French aircraft industry, for example, is the second largest in the western world after the USA and in some sectors, such as LNG technology, urban transport and electronic defense equipment, France is considered to be one of the world leaders. Great importance is attached by the French Government to fostering research and development as a means of stimulating industrial growth. French authorities are encouraging close relations between university and industrial research sectors. An intensive and heavily subsidized program of research for industrial development is underway in a number of key areas such as software, oceanology, pharmaceuticals and electronics.

France is fortunate that its industrial growth has taken place on a well balanced economic base. While not self-sufficient, France possesses a relatively wide range of industrial raw materials by European standards. It is the largest country in Western Europe,

has the largest forest area and is the biggest agricultural producer in Europe and the second largest exporter of agricultural products in the world. The only really weak point in the French economic base is the lack of energy resources, but the Government has taken steps to develop a major nuclear energy program and to emphasize research into new forms of energy.

The spectacular development of French industry combined with the rapid expansion of the world economy in the 1960s and early 1970s has provided the base for a major growth and diversification of French foreign trade. Between 1969 and 1978 French exports grew by 345 per cent, from 77 billion francs to 344 billion francs. While agricultural exports continue to be significant, the most important increase has been registered in the sale of a growing variety of increasingly sophisticated industrial and consumer goods. This trend has been accompanied by an equally important geographical diversification of French trade. Traditionally, France traded primarily with its colonial possessions. While the former colonial territories remain important, France's principal trading partners today are the other members of the EEC, and French industry has also been very successful in penetrating the markets of developing countries around the

world. In recent years France has also begun to increase its trade with North America. French trade expansion has been accompanied by a significant liberalization of the once highly protected French market and France today is a major importer of a wide variety of industrial materials, capital equipment and consumer goods.

As French industry has expanded and developed new markets outside France it has tended to become more international in its outlook. In recent years French companies have been investing increasingly in production facilities abroad, including North America. These investments are seen, among other things, as a means of strengthening the international status of French industry and supporting the export of French products. Technology exchange has also been an important factor in the development of the French economy and French industry participates actively in licencing arrangements, joint ventures and other forms of cooperation with industry in other advanced countries. Foreign investment in France is accepted, but it is screened carefully to ensure it serves French economic objectives.

Recently French economic policy has been directed to liberalizing the French economy (among other things, removing controls on industrial prices) and to further restructuring French industry. This has been accompanied by measures designed to reduce inflation and to reinforce the franc. French authorities hope that these measures will strengthen French competitiveness both internally and externally, promote industrial investment, increase productivity (thus reducing unemployment which has



reached a record level) and contribute to a positive balance of payments. France's high energy import bill makes the balance of payments question crucial at present and major importance is attached by the Government to developing exports as a means of rectifying the situation and providing impetus to the economy generally. At the time of writing the latest national plan (no. 8) is being considered by the French Government. It calls for continuing efforts to develop new energy and energy-saving devices, integrated circuits, "telematique" (information processing) surface transport, the space industry, and oceanology. New sectors which the eighth plan emphasizes include the food industry, the forestry sector and new biological and pharmaceutical products. Attempts will also be made to rationalize and upgrade certain traditional industries as a means of substituting for some raw materials now imported from abroad. As in other industrialized countries, small and medium size industry continues to contribute a substantial share of the gross national product, and the French Government has put into place special measures to support this sector.

France and Canada have long had close cultural and political links and in recent years economic relations between the two countries have grown rapidly. Two-way trade increased by more than 400 per cent between 1968 and 1978, or from \$278 million to \$1,140 million. There has been an equally important growth in investments in either direction and in industrial co-operation. At the end of 1976 France was the third foreign investor in Canada with direct investment of approximately \$750 mil-



lion. At the same time France was the second European destination for Canadian investments which were estimated at some \$215 million. French investments in Canada cover a wide variety of activities including the petroleum, natural gas and mining sectors, heavy mechanical and electrical industries, cement compressed gases, tires, chemicals and pharmaceuticals, civil engineering and construction. In recent years an increasing number of small and medium size French industries have invested in Canada or established joint ventures with Canadian manufacturers. Canadian investments in France are concentrated mainly in the area of agricultural equipment, beverages, metallurgy and mining, chemicals, banking and service industries.

Canada's exports to France have developed rapidly in the past few years and are well balanced between the various commodity sectors. Semi-processed industrial goods account for nearly one-half of our sales and there has been a major growth recently in the sale of agricultural and fisheries products. France is at the same time one of Canada's better markets in Europe for equipment and manufactured consumer goods. France itself has been successful in promoting exports to Canada and Canada is an increasingly important market for a wide variety of

French processed and manufactured goods ranging from wines and cognac to automobile tires, motor vehicles, books and perfumes.

In order to take advantage of the range of opportunities offered by the French market, the Department of Industry Trade and Commerce maintains an active and diversified trade promotional program in France, including participating in the many specialized trade fairs held regularly in France, and organizing the exchange of trade missions in sectors where market potential has been justified. Further information on market prospects identified in the course of these promotions can be obtained by writing to the Canadian Embassy in Paris or to the Western Europe Division I of the European Bureau, IT&C in Ottawa.

Particular areas of export potential

Given the high standard of living, the need to import certain key resources and their derivatives and the sophisticated nature of the French economy, the French market offers potential for a wide variety of products. It is not surprising therefore that Canadian exporters are currently pursuing opportunities in many areas of the French economy. Sectors which appear to offer particular potential in the near future include: fisheries products of all

types, coal and other energy products, ferrous and non-ferrous ores, concentrates and semi-finished products, steel, wire rods, plastics and synthetic rubbers, asbestos, forest products — especially pulp and paper and lumber. In the machinery and equipment area France is a good market for products incorporating advanced technology. There are opportunities for specialized machinery such as goods handling machinery, forestry machinery, foundry and metal working, machinery for electronic "informatic" equipment, sophisticated defence products, aircraft and components, specialized heating, control equipment, anti-pollution equipment (particularly anti-noise and water filtration), laboratory equipment and all types of equipment which will contribute to increasing industrial efficiency including that of the service sector. France is also a growing market for a wide range of quality consumer goods and Canadian companies are already beginning to penetrate this market sector (for example gardening equipment, sporting goods of all kinds, costume jewellery, etc).

Prospects for trade development are often linked to opportunities for industrial co-operation, particularly in the case of relations between highly industrialized countries. In recognition of this, the Canadian and French Governments have made serious efforts in recent years to strengthen trade and industrial co-operation through the promotion of joint ventures, licensing arrangements, technology exchanges, investments, etc. In addition to the facilities provided by the Canada-EEC "framework" agreement, Canada and France have established an Economic Commission at ministerial level which seeks to identify and support commercial projects in which industries of the two countries can co-operate.

The Economic Commission has already been successful in identifying a number of sectors and in encouraging Canadian and French industry to collaborate on a number of projects including aeronautical industry, forestry, energy and mining development, the defence industry, the telecommunications and "informatique" industry, and surface transportation. For example, a French engineering company recently

obtained the contract for the liquefaction process for the proposed Melville Island gas project. Other French companies are interested in meeting the requirements for LNG carriers for this project. French industry is also competing for possible Canadian requirements for a nuclear ice breaker and French companies are pursuing the Canadian naval patrol frigate project. French participation in these projects would involve collaboration on a substantial scale with Canadian industry. Canadian industry is also pursuing some major projects in France. Canada has already supplied equipment for the construction of a French pulp mill and there are prospects for supplying further Canadian equipment to the French forestry sector. Canadian industry has delivered some defence equipment to France. Discussions are also underway regarding other forms of co-operation between the French and Canadian aircraft industries.

The Economic Commission is examining joint activities in third countries as well as ways and means of promoting co-operation between small and medium-sized business in Canada and France. In the case of the latter it is felt that smaller-sized firms, in view of their important contribution to economic life in the two countries, should be encouraged to participate more fully in industrial joint ventures and technology exchanges. Increased activity by both Canadian and French industry in third markets, particularly in developing countries, has prompted efforts to seek projects abroad where co-operation might be mutually advantageous. French and Canadian companies have already obtained engineering projects jointly in South East Asia and French-speaking Africa and are pursuing a number of substantial development projects in other areas including Eastern Europe and Latin America.

Despite the efforts made to date and despite the considerable degree of success achieved so far in developing France/Canada economic links, commercial relations between the two countries still do not match the potential that exists. At present the two countries do barely one per cent of their total foreign trade with one another, and businessmen on both sides of the Atlan-

tic are not always aware of the opportunities that exist for trade and industrial co-operation. Continued efforts will be required therefore by governments and by the business community in both countries to take advantage of the opportunities which the Canadian and French economy offer for both trade and industrial co-operation. For example, in light of the importance attached by the French authorities to the sector, thought is now being given to developing joint ventures between Canadian and French firms in the food industry. The recent moves by the French automotive industry to establish itself in North America may provide opportunities for the Canadian automotive parts industry. Economic development priorities within France, increasing interest on the part of French industry in Canadian resources development and the attraction which Canada offers (particularly through its proximity to the United States) as an outlet for French technology, should provide further opportunities in a variety of sectors for Canadian industry to develop joint activities with their French counterparts.

Efforts must also be continued to promote contacts generally among businessmen in both countries. The mission to Western Canada organized by the French Patronat in 1978 and various ministerial missions to France organized by provincial governments have been useful in expanding contacts and stimulating interest generally.

A number of economists have predicted that France will become the most important economic power in Western Europe by the end of the century. Given the French record over the past two decades, the efficient administration of French industry and French determination, there is some reason to believe that this prediction may come true. It is therefore important that Canadian industry be poised to take full advantage of the many opportunities that this remarkable economic performance offers.

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Doing Business in France

A Basic Guide for Your Visit

by Gaetan Bruneau
Commercial Counsellor, Canadian Embassy, Paris

France has to be a good market for Canadian products. Unfortunately, we have neglected it up to now. Some say it is a difficult market to penetrate but perhaps we have not taken the right approach.

If you want to do business in France, one of the first steps — almost compulsory in my view — is to come to France as early as possible to meet your potential agent, distributor, partner, to see what is available, to identify the competition and to evaluate for yourself on the spot the potential for your products. This way many of the “French obstacles” could be resolved very quickly. Yes, the Trade Commissioner can assist you but his fundamental role is to give you the options and facts. You are, and you know it, the best judge — the final decision is yours.

The French believe in personal contact. Negotiations are often long and complicated due to a different approach than the one we are used to in America. This personal contact can only reinforce your link and eliminate unnecessary misunderstanding. The French businessman is, in general, a very sophisticated individual and a very clever negotiator.

The following are a few observations which may be helpful to you.

Timing

Choose the right time. You should consider the following factors:

- Customer purchasing habits in your trade.
- Holidays — in France you should start by forgetting August. The French are all on holidays then. It is unwise to plan a business visit between mid-July and mid-September unless prior appointments have been made.
- Trade Fairs — France has at least 60 international trade fairs per year with professional attendance averaging 90,000 a show. Check with the Commercial Division of the Canadian Embassy in Paris concerning appropriate trade shows and schedules of exhibitions. What an excellent occasion to see what is on the market, to meet potential distributors, partners etc. . .

Who Makes the Trip

The French are a people whose ways of thinking and negotiating are not the same as ours. Thus the choice of who should make the trip is of utmost importance. Depending on the purpose and the organization of your firm, it would be advisable to choose: the business manager or the export sales man-

ager for market surveys or sales promotion; a competent technical expert or an engineer if technical considerations are paramount; the head of the firm if an important contract is to be signed.

The person chosen should be briefed so as to be familiar with the business practices, geography and history of France. A keen interest in doing business with France should be evident to the prospective distributor and/or client. The French respect a healthy aggressiveness and a positive appreciation of their market, as well as adaptation to local social graces, whether this means religiously shaking hands on meeting and parting, using titles rather than names or wading through a two-and-a-half hour lunch. Seldom are first names used. The English-speaking Canadian businessman is well-advised to be accompanied by an interpreter if his host cannot handle English (and a surprising number can). If your French is barely passable, don't use it when discussing business. It can only create confusion.

Your Product:

Quality, price and presentation are essential everywhere — for France you should also seek out information on import regulations, duties and taxes, standards (CSA approval is not automatically accepted and applications, usually taken care of by your appointed representative, are handled at CSA's equivalent, AFNOR), packing requirements, local production, import export statistics, distribution methods, and consumer habits and tastes. One of the purposes of your trip will be to determine whether any adaptations or changes in your product are necessary.

Literature

Sales and technical brochures are in demand. These should be in French, if possible, and units of measurement should be expressed in metric terms.

If you want the Trade Commissioners to assist you in linking up potential customers, agents or distributors, you should send a dozen sets of your literature, with prices, to enable them to canvass the trade efficiently. Phone calls sometimes work but the prospective French client prefers to have documentation in front of him before agreeing to a meeting. Such literature should be sent to the Trade Commissioner as far in advance as possible (at least one month prior to your trip). On your visit, be sure to bring catalogues and price lists (French francs and dollars, both f.o.b. and c.i.f.); technical

specifications; references, samples (if appropriate); business cards (lots of them and in French, if possible); and your firm's stationery and letterhead.

Representation

Representatives, distributors and agents in France are often wary of and misinformed about Canadian suppliers. The North American habit of imposing large quotas for first year sales, as well as 30-day payment terms, tends to get short shrift. The French custom is to test the market slowly and to pay even more slowly: 90 to 120 days are not uncommon terms.

There are intricate laws governing the legal relationships between principals and representatives, salesmen and agents, and the rescinding of an agreement is complex and costly. Before appointing a representative or a commercial agent, check with a lawyer, or ask the Trade Commissioner who can give you some advice.

Joint Venture — Direct Investment

The French Government is favorably disposed to foreign investment in most economic sectors. It reserves the right, however, to approve each investment — even those from EEC countries — and, where deemed politically or economically advisable, to find a “French solution.” If a direct investment application of a foreign investor is refused, this is generally because the potential investment is in a branch related to national defense or is considered to be economically strategic to the economy. All forms of doing business are available to foreigners as are tax and non-tax incentives. Provided the investment was properly authorized and provided that taxes are paid and formalities are met, there is no restriction on repatriation of capital, dividends, branch profits, loans and interests, royalties, service fees.

Follow-Up

The French are more sensitive than most Europeans about lack of follow-up. Upon returning to Canada you should send a letter of thanks to all the people you met on business; confirm any arrangements agreed upon or discussed at meetings and send copies of relevant correspondence (agency agreements, problems which could be solved by a local call) to the Trade Commissioner.

Other Canadian Services in Paris

Often Canadians are not aware of the assistance and advice they can get from Canadians in Paris. Canadian banks, law firms, insurance companies, Air Canada, CP and CN representatives, stockbrokers, etc. . .

The Trade Commissioner service has a team of 11 officers at the Canadian Embassy in Paris. They are at your service to promote your products in a territory which might look difficult at first but if your visit is well-prepared it could be as easy to do business in France as it is in Britain, Germany, Italy, and other European countries.

The second largest importer of Canadian goods and also second in terms of exports of manufactured goods to Canada, Japan is a market well worth expanding. Indeed, it is the view of a large segment of the Canadian business community that Japan — in itself an immensely important market — is the door-opener to increased trade with a number of Pacific Rim countries. To gain further insights into doing business with this potentially lucrative area, Canada Commerce recently interviewed Greg Guthrie, Vice-President of the Canada-Japan Trade Council, a Canadian and Japanese business-supported association aimed at increasing a two-way flow of trade between the two countries. A second article takes a look at Japan's view of trade relations with Canada.

Japan: The key (market) to penetrating the Pacific Rim

by Bob McDonell
Assistant Editor, Canada Commerce



Greg Guthrie

Commerce: *With the increased emphasis being placed by Canadians on Pacific Rim countries — and Japan in particular — we are sure many Canadian businessmen would be interested in your observations on Canada-Japan trade.*

Guthrie: It is interesting that you have linked trade with Pacific Rim countries with Japan, since, here at the Council, we feel there is a good opportunity for Canadians to expand their trade with Japan, and through these contacts to increase their Pacific Rim pene-

tration, through joint ventures, secondary supply and the use of Japanese representatives. . .the trading houses.

Commerce: *If I understand your suggestion, you are recommending that Canadian firms make use of Japanese contacts to sell in other Pacific Rim countries as well as Japan.*

Guthrie: Yes, that is right. Many of the contracts now being prepared for or planned in China, Korea, Malaysia and Taiwan are so broad that even the largest Canadian companies find it difficult to allocate the resources, time and effort required to prepare a submission. Because of the proximity of the market and a well-developed business

intelligence network throughout the region, Japanese firms, consortia and trading companies are in a better position to bid — yet, in most cases, they are on the lookout for firms with special expertise or manufacturing capabilities to supply a large portion of the overall contract.

As the major industrial nation in the region, short of many if not most of the natural resources these countries wish to exploit, Japan has expanded its highly sophisticated network of general and commodity specific trading houses to sell manufactured goods, often in exchange for raw materials or semi-processed goods. The nine largest houses account for nearly half of Japan's foreign trade.

(The Big 9 are Mitsubishi Corp.; Mitsui & Co.; C. Itoh & Co.; Marubeni Corp.; Sumitomo Shoji Kaisha Ltd.; Nissho-Iwai Co.; Toyo Menka Kaisha Ltd.; Kanematsu-Gosho Ltd.; and Nichimen Co. in that order.)

While the Big 9 handle a major share of Japanese imports and exports and a majority of third country projects, Japan is also home base to thousands of smaller product-oriented trading houses which have developed their own information gathering, product knowledge and a solid base in their own particular lines.

For the Canadian businessman who wants to use the Japanese trading house as an entry into third country markets a thorough assessment of each firm's capabilities is almost a necessity.

Avenues of aid

Commerce: *But surely, if there are that many firms as well as nine huge trading houses to assess, the Canadian businessman is going to spend as much time finding the right agent as he would devote to developing the markets on his own.*

Guthrie: Not at all. In the first place there is a great deal of help available to the Canadian seeking information. For example, there is your own department's (Industry, Trade and Commerce) Trade Commissioner Service which has, over the years, amassed a wealth of information on the operations of the various Japanese trading companies. Not only can they provide you with lists of the most likely companies with which you could be doing business, but also assist in arranging meetings with the proper contacts in these companies.

We at the Council can also assist in providing contacts with Canadian firms already dealing with the Japanese. There are several publications which outline the particular expertise found in the various trading companies.

Yet in the final analysis, the businessman himself must make the final decision. He must be comfortable dealing with his Japanese counterpart but, as I say, before this decision is made, he should make full use of all the existing avenues.

Commerce: *It would appear that the Canadian businessman looking at the Japanese markets, as well as those which might, through these contacts, be developed in other areas of the Pacific Rim, must learn to deal with his Japanese counterpart. I say learn because it would seem that there is a different culture, different business traditions that must be observed as opposed to, say, dealing with our largest customers in the United States, where customs and business practices are very similar to our own.*

Guthrie: Of course, many of the younger Japanese businessmen have adopted the business practices of North America. . .



have attended our business schools . . . and, in many cases, have lived in the country for a number of years.

Yet, having said that, there are some very important basic differences in the manner in which Japanese firms operate. To a large extent, you will find business is conducted in a much more formal, socially motivated atmosphere.

Business conduct: Japan-Canada differences

It is likely that no business will be conducted during the first two or more meetings while the Japanese businessman assesses you as a person. If these first meetings are successful, then and only then, will you be invited to display your plans or merchandise. This development of mutual trust is very important in the world of Japanese business, particularly if the arrangement is to be long term. Once established however, this trust is one of your most valuable assets. In many cases, it will bring the entire resources of the Japanese firm to your assistance, should you require it.

A second difference between North American and Japanese business is the length of time required to obtain agreement on a long term basis. Whereas the Canadian businessman visiting Japan is authorized to conclude an agreement or is in phone contact with the decision maker, in Japan it is normal for each agreement to be studied by committees before a consensus is reached. This is often a frustrating experience for the businessman who is normally used to quick, hard decisions which are then passed down the line to subordinates who carry out the instructions.

Commerce: *How does this committee system work?*

Guthrie: In most cases, your proposition is brought down to the lowest level of the company that will be dealing with your product or service. Your plan of operation will then be examined and commented upon by each section it will affect and after all the discussions are held and an agreement reached, it will be approved or changed according to the advice received. If this is not satisfactory, the entire procedure will be repeated until each signatory to the agreement is satisfied.

While it appears on the surface that this is very time consuming, it does explain why, when the agreement is signed, the Japanese businessmen will go to such lengths to keep the operation viable.

Commerce: *It would seem that doing business in Japan could be very time consuming and expensive.*

Guthrie: Yes, Japan is an expensive country to do business in. Prices are very high for hotel accommodations, food and entertainment. And of course, the returns of the project should be sufficiently high to make the investment profitable. On the other hand, if the product or service does not warrant this expense, all the large and several of the smaller Japanese trading houses maintain their own offices in major cities throughout Canada. They are prepared to do business North American style and may indeed provide you with many of the initial contacts if you have to make your trip to Japan to expand or follow up on the arrangements.



Potential market areas

Commerce: *You have given us some insight into the workings of trading companies and a taste of what the Canadian businessman can expect in selling to the Japanese market. Perhaps you might also give us some indication of what the Council sees as the immediate*

and medium term markets that Canadian firms might enter in Japan.

Guthrie: We recently had our Economic Advisor, Professor K.A. Hay prepare a report on this subject for a recent meeting in B.C. He feels that the service and food sectors of the economy will expand rapidly. There are indications that consumers will increase their spending on consumer durables and food from 79 to 83 cents in every dollar of personal, disposable income.

It is expected that basic industries — forest, metals, agriculture — will remain static or actually decline while construction, finance and insurance, transport and communications, plus the already mentioned service and food sectors, will see rapid growth.

Of course, the black spot on the economic picture for Japan is the lack of energy resources. To assure a steady supply, Japanese firms are scouring the world in an attempt to enter into joint ventures where the return will be a portion of the output.

In the present state of supply it is unlikely that the Japanese will be much of a factor in Canada's energy picture.

While the Japanese are major players in the Canadian coal industry, it is more likely that future requirements will be met from Australia which has large deposits of thermal coal very close to tidewater — a fact that makes Canada's more inaccessible supplies less attractive.

While as a supplier of oil, Canada is not likely to enter the Japanese market in the foreseeable future, Canadian expertise in oil exploration and development is one of the most promising fields of joint venture. This is of particular interest to the Japanese since they can provide the financing and arrange with the third country for an assured supply of oil.

Commerce: *In other words, the Japanese market is worth expanding.*

Guthrie: Exactly. At the present time, Japan is the second largest importer of Canadian goods and also second in terms of exports to Canada. This two-way trade has a dollar value in the past year in excess of six billion, with a trade advantage in Canada's favour of almost two billion dollars.

Major Canadian Exports to Japan

(\$'000s)	1979
Coal	569,893
Rapeseed	369,044
Lumber, softwood	468,018
Copper	364,308
Aluminum (ingots & fabrications)	110,685
Wood pulp	342,615
Wheat	287,784
Roe (salmon, herring & other fish)	181,564
Pork (fresh or frozen)	114,010
Barley	104,678
Salmon	26,791
Asbestos	48,432
Lead (ores & conc.)	69,730
Potash	46,503
Propane (liquified)	40,458
Zinc	64,027
Squid & Shellfish, NES	19,009
Iron ore	72,682
Malt	26,688
Logs, softwood	37,376
Flaxseed	31,814
Copper, refinery shapes	8,598
Ham (not cured or cooked)	20,403
Alfalfa, dehy.	23,590
Gold (ore & conc.)	37,007
Wrap paper	10,119
Chemical elements, NES	15,398
Pig iron	nil
Liner board	10,727
Pulpwood chips	17,381
Tallow	18,288
Sub Total	3,557,620
Others	522,871
TOTAL	4,080,491

Major Canadian Imports from Japan

(\$'000s)	1979
Cars, new	231,512
Televisions, radios, phonographs	102,864
Telecommunications & related equip.	122,160
Motor vehicles, others	131,364
Photographic goods	115,436
Pipes & tubes, iron & steel	92,801
Office machines & equip.	77,566
Plate, sheet & strip steel	73,411
Trucks & chassis, new	45,291
Station wagons, new	17,411
Tires & tubes	67,985
Motor vehicles pts, except engines	37,314
Watches, clocks, jewellery, silverware	30,360
Electric generating equip.	36,720
Broad-woven fabrics, man-made	32,564
Fish & marine animals	26,077
Hand tools & cutlery	30,225
Kitchen utensils, cutlery and tableware	21,587
Broad woven fabrics, mixed fibres	23,651
Unexposed photofilm & plates	29,781
Bars & rods, steel	26,491
Bicycle & pts	18,946
Track-laying tractors & used tractors	19,408
Organic chemicals	22,297
Oranges, mandarins, tangerines, fresh	12,352
Microwave ovens	12,173
Sporting & recreational equip.	8,343
Basic hardware, nails fasteners, etc.	11,951
Sub Total	1,445,477
Others	711,506
TOTAL	2,156,983

The Japanese viewpoint. . .

Canada-Japan Trade Relations

Late last Fall, a group of influential Japanese businessmen, participants in the second Japan-Canada Businessmen's Conference held in Toronto earlier in the year, met for a round table discussion on relations between the two countries. Through the Canadian Embassy in Tokyo, Canada Commerce was able to obtain a translation of the proceedings.

While space restrictions make it impossible to reprint the entire proceedings, many of the observations will give Canadians a better insight into existing and future relations with our second best customer and second largest supplier of manufactured goods.

Under moderator Rikuzo Koto, Executive Director, Japan Federation of Economic Organizations, (Keidan ren) the panel included Hisao Makita, President, Nippon Kokan K.K. and Eiichi Hashimoto, Board Chairman, Mitsui & Co., chairman and vice chairman respectively of the Japan Committee, Japan-Canada Businessmen's Conference.

Canadian capacity was only enough to meet their domestic needs or that they were not that interested in Japanese purchases if it meant seeking new Japanese investments.

In the words of Eiichi Hashimoto, "it was suggested if Japanese firms — like my company, Mitsui & Co., for example — had money to spare to invest in Canada to start some industrial venture, the money be put to work in the United States in partnership with Canadian interests. I was very shocked by the Canadian response.

"As a matter of fact, up to the time of this first conference, there were some Canadian businessmen who intimated that unless



Throughout the discussions, speaker after speaker remarked on the growing sense of co-operation developing between the two countries — unlike the first meeting where the Japanese delegation felt that Canadian businessmen had little appreciation of, or interest in, the Japanese market.

In particular, they remarked that Canadians both east and west, were communicating better with each other than was the case prior to the first conference. It was noted that at the first conference and at the inter-governmental meeting which had preceded it, the Canadian government was urging the Japanese to buy more manufactured goods from Canada. Canadian businessmen, on the other hand, were telling the Japanese that

Japan bought Canadian manufactured products instead of buying only raw materials, Canada might restrict exports of raw materials to Japan. But this time, they indicated they want Japan to buy manufactured goods and, at the same time, raw materials from Canada. From this, I got the impression that their perception of Japan has grown much deeper.

"In short, I received the strong impression from this year's conference that the whole of Canada was working together and when called on to direct their attention not only to Japan but to all of Southeast Asia, they concurred most strongly."

To these Japanese businessmen, Canada's Foreign Investment Review Act is worri-

some but, as many of them pointed out, with the current low level of Japanese investment in Canada, the problems, if and when they do occur, will be many years hence. In the words of Hisao Makita: "The Foreign Investment Review Act will present a problem only after Japanese businesses are moved to invest in Canada."

While the Japanese were very interested in helping to develop Canadian oil deposits and other energy sources, they felt that Canadians were not receptive to the product sharing arrangements they favoured. They also felt that, in the future, Canadians might be willing to develop the huge reserves of tar sands on a product sharing arrangement. On future coal negotiations, they felt that Australia, with its huge deposits close to the sea, was in a much superior competitive position than Canada.

For the future, the Japanese felt that Canadians would benefit from the Multilateral Trade Negotiations — particularly with respect to the United States market. One of the inhibiting factors in Japanese investment in Canada was the small size of the Canadian market. With the MTN, the total North American market will now be almost completely integrated.

This in turn may induce Japanese firms to move into the North American market via investments in Canada.

Commenting on the apparent reluctance of Canadians to understand the Japanese market, a number of speakers remarked that, with its huge resources and small population, Canadians had become complacent: In Japan, big and small businesses had to export to live while Canadians could live in comfort without too much effort.

However, as was pointed out by the chairman of the Japan Committee, Hisao Makita, "with world cultural levels rising in recent years, I suspect that the Canadians are beginning to feel uneasy about being left behind. They realize that they will really be left behind if they don't do something about it. As a matter of fact, if the gap gets too big, things won't work well for Canada in the future."

While each speaker emphasized that problems do exist between Japan and Canada, there was every indication that most of these problems were being addressed. The association is mutually complementary and future meetings must continue to support this interchange of ideas and viewpoints to deepen the understanding of each others business methods and priorities.

Sharing in the discussions were Matsujiro Ikeda, Vice President, Marubeni Corp.; Koichi Yoshikawa, Managing Director, Mitsubishi Metal Mining Co. Ltd.; Gakuji Maruyama, Vice President, C. Itoh & Co. Ltd.; Yasuhiko Nara, Adviser, Tokyo Electric Power Co.; Shunji Arima, Managing Director, Petroleum Resources Development Co. Ltd., and Enji Haseo, Executive Director, Mitisubishi Corp..

Czechoslovakia — The export challenge can reap rewards

One Canadian company, H.A. Simons (Overseas) Ltd. of Vancouver, knows this to be true. Simons is busily constructing a \$300 million turnkey sulphate pulp mill in Czechoslovakia. Now with improved economic relations between the two countries, other enterprising Canadian companies also have the opportunity to export a wide variety of products. And, as the following article indicates: "Once you and your product become known, further sales become much easier and can assist your firm's sales efforts in other Eastern European markets."

Report from Prague

by D.E.F. Taylor

Counsellor (Commercial) Canadian Embassy, Prague



The Charles Bridge, in Prague, dating from 1357, is Prague's oldest and most famous tourist attraction. Dominating the city on the hill behind is Prague Castle and St. Vitus Cathedral, largest of the city's many historic churches.

D.E.F. Taylor



Preliminary Canadian figures indicate that Canadian exports to the Czechoslovak Socialist Republic (CSSR) increased almost 175 per

cent in 1979 to \$35.2 million while Czechoslovak figures indicated a higher rate of growth for our imports.

The composition of Canadian exports

changed significantly in 1979 — away from the traditional high dependence on agricultural raw materials and asbestos fibre to more than 50 per cent finished products.

Czechoslovakia has not been an easy market for Canadian exporters to enter; however, the improved economic relationship that has developed between the two countries in recent years has provided new opportunities for a wide variety of products.

The major portion of the increase in Canada's exports in 1979 consisted of pulp and paper equipment and associated materials for the construction of the \$300 million turnkey sulphate pulp mill being built by H.A. Simons (Overseas) Ltd. of Vancouver, at Ruzomberok in Slovakia.

Other expanding exports to Czechoslovakia in 1979 included oilseeds, hides and skins, and electronic products. (It should, however, be noted

that Statistics Canada figures may underestimate the oilseed trade due to the shipment of most oilseeds via Western European entrepôt ports). Hides and skins have also achieved a strong export position due to the substantial purchases of the Czechoslovak foreign trade corporation, Exico.

Grain sales have not been large in recent years as Czechoslovakia has been generally able to depend on its own production and imports from its neighbouring states to satisfy domestic needs; nevertheless, Czechoslovakia has annual requirements for Canadian durum wheat.

In the non-agricultural raw materials sector, asbestos fibre has also been a continuing export with sales of \$3.1 million in 1979.

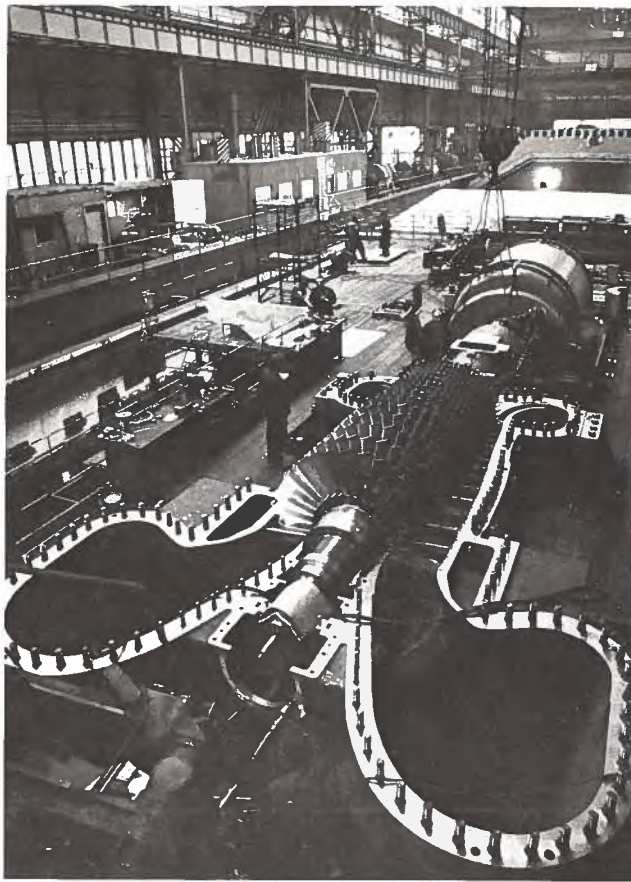
Of considerable interest to Canada is the Czechoslovak livestock improvement program.

Canadian exporters initially entered the market with the export of 1,100 head of Herefords in 1975. Currently, there are annual exports of bovine semen, and periodic sales of duroc boars. The export of swine semen, and additional swine breeding stock is now being investigated.

Czechoslovakia has been only a minor market for Canadian fish products, with price being the major constraint to increasing our share of the more than \$100 million CSSR import market for fish and fish products.

As mentioned, Canadian exporters are now making major sales of further manufactured products.

The greatest success, to date, has been the Ruzomberok pulp mill to which more than \$200 million of Canadian pulp and paper equipment (representing 5,000 man-years of Canadian labour input) will be shipped before its completion in late 1981. The Canadian supply includes, among other items: construction steel and cladding for the mill building; woodyard equipment; digesters; boilers, motors; pumps; pulp cleaners; pulp bleaching towers; pulp



Turbo compressor unit under construction at the CKD works, Czechoslovakia.

dryer; waste water cleaning; chemical preparation and recovery; and electric distribution equipment.

The main lasting result of this sale is the recognition of Canada as a major supplier of equipment, services and technology to the CSSR pulp and paper industry.

The industry has embarked on a program to construct at least two and possibly three more pulp mills in the next five to 10 years — not to speak of numerous mill expansions and renovations. (Further details are available from the Commercial Division, Canadian Embassy, Prague).

The sale has also made buyers in other sectors aware that Canada has sophisticated and competitive products for export and that the distance between our two countries is not a major obstacle to expanding trade.

Other Canadian manufactured products sold in 1979 include industrial sewing needles (\$278,000), blue jeans (\$416,000), sawmill equipment (\$298,000), aircraft engines (\$248,000), valves (\$108,000), skates and ice hockey equipment (\$74,000), navigation equip-

ment (\$279,000), and various other electronic components and machinery items.

The items listed under the heading "Products Offering Greatest Prospects for Expanded Export Sales"*, is not all-inclusive. However, it does reflect the high priority sectors in the CSSR economy and for which there will be major investments made in 1980 and in the next five-year plan (1981-85), or sectors where a demand already exists and where ingenuity, perseverance and a competitive offer is required.

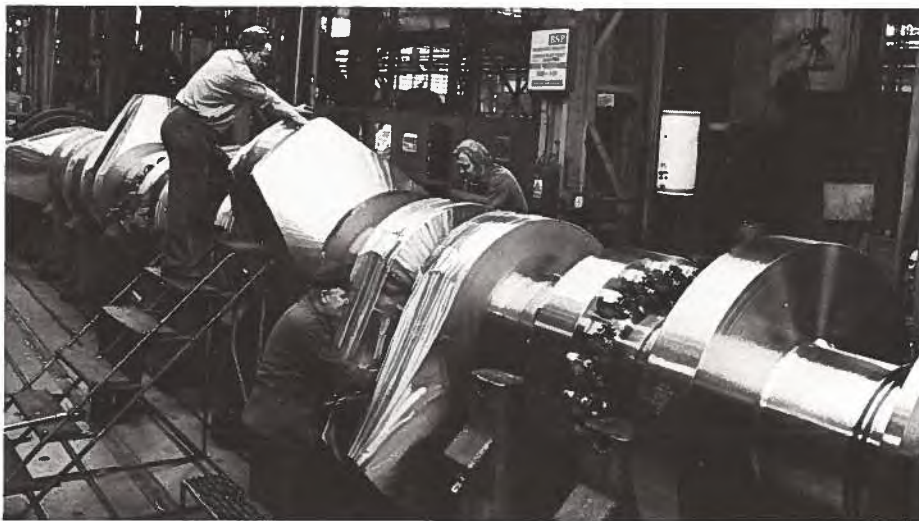
In terms of capital projects, the extent of Czechoslovakia's present investment program is not generally appreciated abroad. At a time when many countries are cutting back, CSSR continues to maintain a major investment program — in 1980, the capital investment program will be 140 billion Crown (\$28 billion), an amount equal to 28 per cent of the country's national income and a 0.9 per cent increase over the 1979 level.

Projects for 1980

About 70 large projects are scheduled for completion in 1980, mostly in the sectors of fuels, energy and transport. The second 440 MW unit will be started at the nuclear power plant at Jaslovské Bohunice (West Slovakia), which generated 2,100 million KWH last year, and a second nuclear plant will be started at Dukovany in South Moravia. Also scheduled for completion is the first 110 MW unit of a pumped storage power plant with the remaining 555 MW unit to be added by 1983. A new 500 MW turbine will be added to a thermal plant north of Prague and the first 210 MW of another thermal plant in North Bohemia will be completed later in the year. A new billet mill will be added to the steel plant at Kladno, near Prague, and a new rolling mill at Kuncice. Four light water reactors are being built in the new Skoda nuclear division at Pilsen (two for Czechoslovakia, one for Hungary and one for the German Democratic Republic). In

1980, the third line of the natural gas pipeline from the USSR across the CSSR to Western Europe, the third section of the Prague metro and several highways will be completed. The establishment of a new Ministry of Electrical Engineering at the beginning of 1980 indicates new emphasis will be placed on the development of electronics and microelectronics. In agriculture, improved production of fodder and livestock are the prime objectives for 1980 after a disappointing 1979.

To fulfill this investment program, Czechoslovakia, in 1979, imported about \$2.6 billion (U.S.) in goods of all types from the western countries; Canada's sales, according to CSSR figures, placed us about tenth among these western countries with an estimated 0.8 per cent trade share.



Final touches to a seven-throw crankshaft produced at the Vitkovice factory.

The main western suppliers are West Germany (with 5.7 per cent of Czechoslovakia's total trade turnover); Austria (3.1 per cent); Britain (1.9 per cent), and Switzerland (1.8 per cent).

Czechoslovakia's trade with its Comecon (CMEA) partners accounts for 70 per cent of the total, of which trade with the Soviet Union accounts for 35 per cent; German Democratic Republic 12 per cent; Poland 9 per cent; and Hungary 6 per cent.

Although the Seventh five-year plan, (1981-85), has not been released, a number of broad objectives have already been outlined. These include reduced consumption of all raw materials — especially fuels and energy; reduction

of production costs generally; increased labour productivity; improvements in fuel production and the national transportation system (particularly for coal).

Industrial sectors which are expected to be given high priority are electronics and microelectronics; fuel and energy production and their transport; agriculture (livestock and fodder production); pulp and paper; wood products; truck production; and metallurgy.

Details of the Seventh five-year plan should be available in late 1980 or early 1981.

How to enter the CSSR market

First, send the Commercial Division, Canadian Embassy, Prague, approximately 10 pieces of your company's literature and, if possible, price lists. Please note in your letter whether you

tact the nearest IT&C Regional Office or the European Bureau of IT&C, Ottawa (Mr. R. Ballhorn, Eastern European Division, 11th Floor East, 235 Queen St., Ottawa K1A 0H5) for a copy of the booklet "Czechoslovakia — Information for Canadian Businessmen". An updated edition will be available shortly.

**Commercial Division
Canadian Embassy
Mickiewiczova 6
125 33 Prague 6, Czechoslovakia
Telex: (Area code 66) 121061 (DMCN C)**

What Canada sells/has sold to the CSSR

Agricultural and Raw Materials:

Cattle, swine, cattle and swine semen, oilseeds, grain, fish, sausage casings, hides and skins, asbestos.

Fabricated:

Leather, veneer, textiles, chemicals.

Machinery:

Industrial sewing machine needles, equipment for the pulp and paper and sawmill industries, agricultural, drilling, paving, wave-soldering, X-ray and geophysical equipment, card punch computers and parts, plant growth chambers.

Transport and Communications:

Airport navigation, radio and hydro-meteorological equipment; aircraft engines; telephone PBX; electronic components.

Personal and Household Goods:

Skates, jeans, hockey and other sports equipment, clothing.

***Products Offering Greatest Prospects for Expanded Export Sales**

Wheat; fish; new seed varieties; specialized agricultural machinery; fodder production methods and machinery; equipment and systems for reducing energy consumption; bargain priced consumer goods; small quantities of other consumer goods (including sports equipment, music etc); equipment for pulp and paper, sawmilling, panel-board, and packaging industries; environment-protection equipment; metallurgical and mining systems and equipment.

have exported previously and where. (The Commercial Division will forward this material to potential customers and advise how the initial contacts can be followed up). We do not recommend visiting the market until these initial steps are taken. If no response is received from the potential customer please request our further assistance. Breaking into the CSSR market often requires considerable time and perseverance; however, once you and your product become known, further sales become much easier. Success in the CSSR market can assist your firm's sales efforts in other Eastern European markets.

Companies interested in exploring the CSSR market further should con-

DESIGN MAKES THE DIFFERENCE

In 1904, Rudyard Kipling made this astute observation on the importance of originality — “they copied all they could follow, but they couldn’t copy my mind, so I left them sweating and stealing, a year and a half behind.” Today, an increasing number of Canadian companies have taken this insight as a means to economic survival, and the “industrial designer” is now recognized as an integral part of a company’s future success. In the following article, two award-winning Canadian designers explain why. . .



How can a designer help a small business?

David Jenkins, who heads the design team at Cooper Canada Limited, explains: “A small company can benefit by using a designer because it puts them in a potentially good leadership position. Instead of the traditional approach of copying an American or European design and making some small improvements to it, the use of a designer will put you, as a small manufacturer, into a more unique position where you’re perceived as having something different and distinctive to offer. A designer will help you to imbue quality into your product — perhaps a quality that your sales people don’t perceive to be part of the market.”

Jenkins recalls one of his early experiences to illustrate the correlation between design and success. It was 12 years ago, with a small company manufacturing dental equipment. Sales went from zero to \$2 million in seven short years.

“We accomplished this by the fact that the dentist had a unique concept for a work station — combined with my design expertise we developed a product that, by 1974, was selling 60 per cent to the U.S.” Design expertise is not limited only to the product, as Jenkins explains — “We developed not only their product, but product literature, corporate identity, how the company was perceived by their customers and every

WE NEED GOOD DESIGN TO GIVE US THE COMPETITIVE EDGE

BY LYDIA HUBER





single aspect of the design area.”

Today, Jenkins is doing exactly the same thing as chief designer for a company that has become the leader in molded foam in protective hockey equipment. “This has taken some years to develop, and it also requires a strong entrepreneurship type of attitude on the part of the owner of the company and all the way down. It’s very important to have the commitment towards good design at the top, otherwise I can’t sell myself or my design staff.”

The man at the top is Jack Cooper, Chairman of Cooper Canada Limited. He explains why design is important to his company. . . “What was once something we had to do in order to make our own product better is today something we have to do in order to stay ahead of the competition. We design for the industry.” Not vice versa.

“When we first started in sporting goods in the 1930s what we had to offer was cheaper prices and some cheaper approximates of goods already on the market. However, I had this dream. . . as sporting goods became more sophisticated in Canada, the important thing was to concentrate on making better protective and better looking equipment for athletes. We started to do product development and design work which we couldn’t afford at the

time, and for a great many years we’ve spent disproportionately on innovations to improve the aesthetic and protective quality of our products.

“It seemed to be the way to go — and it was the reverse of the way we originally started.”

Disproportionate or not — the investment paid off.

This year, as Cooper Canada celebrates its 75th anniversary, it boasts success in three areas — it’s Canada’s largest manufacturer of athletic goods, the world’s largest supplier of protective hockey equipment, and Canada’s largest maker of personal and travel leather goods.

Success comes not only in monetary terms but in recognition, as Cooper Canada demonstrated by receiving the 1980 Chairman’s Award for Design Management, Canada’s top reward for overall design concept, and a Product Award of Excellence for its SK600 hockey helmet.

The SK600 hockey helmet made its debut in 1975 and is today the most widely used hockey helmet in the world. The helmet is made of polycarbonate plastic, which is exceptionally tough and impact resistant but which can be molded and coloured into an attractive design. It’s light, cool and self-sizing and is mandatory for all hockey players in Czechoslovakia. Cooper sells more than 200,000 annually.

“YOU DON’T DESIGN JUST TO DESIGN SOMETHING. . . YOU HAVE TO DESIGN FOR A MARKET”



“I don’t think you can separate design and marketing — I think the sensitivity towards good design marketing is what a designer can add to a company. It encompasses the way you design a product for a specific market, a specific distribution method, and for specific long and short term goals.”

So says André Morin, award winning design consultant for Les Industries Provinciales Limitée (IPL). He explains his design/marketing concept as it relates to his experience with IPL.

“In 1977, IPL approached me with the question — could you tell us exactly what type of product we should be manufacturing. . . ?

“After doing a market survey across Canada I found that 98 per cent of quality plastic products used in Canada were imported. With these results, I decided that we could design a line that will have a quality that you couldn’t find in other products of the world.

“The first year we designed 15 plastic kitchenware products. We found that the buyers of every major store were waiting. . . and for good reasons. In order to import, buyers have to purchase quantity. If we manufacture goods domestically, the inventory stays in Canada, and buyers can buy in smaller batches, thereby tying up less cash. This is very important.

“After two years, the product

line was expanded to 30 items and is now being sold in the United States, Germany, Australia, France and, in the near future, to Japan.

"The designer is really the co-ordinator in a group — the person who works with engineers, marketing representatives and sales personnel — digests all the information, and finally comes up with the product."

What value is a consultant designer to a company that doesn't have a design philosophy?

Morin explains, "the most important thing is that a consultant is aware of all the trends that occur in the world. This is done by investing much time visiting trade shows, exhibits, and stores, making an analysis, and giving the client

the results of the surveys. As well, when you're not an employee of the company, you can supply the facts directly and honestly." Not mincing words.

"If we had more people in marketing in Canada we might have more designers working and designing products that could be distributed worldwide."

The IPL story. . .

From family beginnings making brushes and brooms, tooth-brushes and maple sap pails, IPL has established a thriving domestic market and is successfully competing in the international field with its unique lines of plastic kitchenware.

This IPL collection of colourful quality plastic and acrylic kitchen containers are

all linked to one design concept and it's this design that received a 1980 Product Award of Excellence.

Design Canada Awards 1980. . .

"Good Design is that element that separates the winners from the losers in world markets" — Denis Daly, Chairman of the National Design Council (NDC).

Segments of industry, community leaders and the professional design groups gathered this March at Toronto's elegant Harbour Castle, to honour those who have achieved outstanding success for their products in the international marketplace by making effective design a key tool in product development. The event was sponsored by NDC, Design Canada and Industry, Trade and Commerce.

And the winners were. . .

Cooper Canada Limited, Toronto, Ontario — The National Design Council Chairman's Award for Design Management;

Kinetics Furniture Inc. Downsview, Ontario, and **Reliance Products Ltd.**, Winnipeg, Manitoba — Award of Merit in Design Management.

And the following were awarded with the Product Award of Excellence. . .

Cooper Canada Ltd., Toronto, Ontario, for the SK600 Hockey Helmet;

Tuuk Sports Ltd., Ville Saint Laurent, Quebec, for the 2000 Skate Blade,

Les Industries Provinciales Ltée (IPL), St. Damien, Quebec, for the IPL Collection of plastic kitchenware;

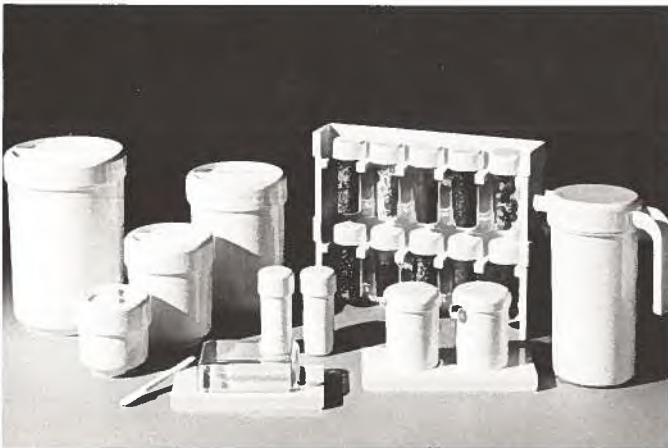
AES Data Limited, Montreal, Quebec, for AES Plus 4 Word Processor;

Ambiant Systems Limited, Toronto, Ontario, for Ambient 700 Series Street Furniture;

Xception Design Limited, Laval, Quebec, for Series 1 Furniture;

Kinetics Furniture Inc., Downsview, Ontario, for Series 100/500 Furniture;

Sunar, A Division of Hauserman Ltd., Waterloo, Ontario, for Race Systems Furniture (an energy distribution office system).



Exporting to Upper New York State is like selling in your own backyard. . . .

Report from Buffalo
by Warren M. Maybee
Consul and Trade Commissioner



Anything but a white elephant, the Buffalo Convention Center opened in 1977 and is now booked five years in advance. Primarily booking trade shows, the Center will become more convention oriented once additional hotel space is opened up downtown.

Buffalo, having taken a nosedive in the 60s, is now enjoying a spectacular resurgence which should put the city and region right back into the mainstream of American economic activity and prosperity by the end of the 80s.

Many of the plans which were only ideas five years ago are now reality. For instance, the new Convention Centre, opened in 1977, has contradicted all the gloomy predictions of becoming the biggest white elephant of the century. It is comfortably booked up to five years ahead, consistently drawing crowds, and is likely to operate in the black much sooner than expected. At present, the Convention Centre is primarily booking trade shows — with the Consulate and Canadian companies participating on several occasions — but it will be more convention oriented once additional hotel space is opened up downtown.

Already a new Hilton Hotel has been built on the waterfront, together with an adjacent office complex and recreational facilities. These, in turn, have led other developers to compete for what is now prime waterfront land for housing, retail and additional recreational development. Concurrently, a Light Rail Rapid Transit system is being constructed which is expected to lead to more urban renewal — in particular a renovation of the theater district which is also showing signs of real revival. A new Hyatt Hotel is also in the planning stages and expected to open within two years, and retail business is increasing accordingly.

Investment begets Investment

The fact that things are finally being seen to happen is itself attracting investors, planners and developers and a strong team of highly competent individuals is in place to ensure that the momentum is not lost, despite the inevitable political wranglings which surface from time to time in any such massive urban renewal project.

A chronic problem of this area has been the negative impact of the New York State tax system, but both City and State are acutely aware of this and are making conscious efforts to change the situation to capitalize on the potential for business. An aggressive Industrial Development Agency has succeeded in developing numerous economic packages, bond issues and other methods for minimizing this negative

impact. As a result, new companies are locating in this area, both in downtown locations and in the many industrial parks springing up in the suburbs.

The heavy industry which was Buffalo's strength in years gone by and which to some extent led to its decline — those plants being more susceptible to obsolescence and an eroding labour force — is now balanced by a much broader industrial base of many smaller, often highly technical companies which can more easily adapt to changing market conditions.

With abundant power from Niagara Falls readily available, Buffalo was always an "electronic city" with prime facilities for light industry production and servicing and more broadcasting outlets than any other city of comparable size.

All of the Buffalo-based corporations showed growth last year, one company increasing its share value by some 120 per cent, and this in the face of generally poor performance nationally. All these factors contribute to the overall picture of a growing, dynamic urban center with concomitant opportunities for business and industrial development.

Major Assets

Two of Buffalo's major assets are low-cost energy and extensive transportation facilities.

The switch from oil to coal as a primary energy source will benefit northern states in the 80s just as the south benefited from development of oil, gas and petro-chemicals during the 50s and 60s. The simultaneous resurgence of the rail industry, with more federal funding being committed to upgrading rail facilities, will provide a big boost to this area which is close to coal sources and the lake and rail systems that transport it.

The Port of Buffalo provides a bulk cargo terminal. Further, being located at a crossroads on the interstate system of superhighways, with ready access to the midwest, the eastern seaboard and the major industrial areas of southern Ontario, it is already a key distribution and trucking center.

The interstate highway system tended to benefit the South is now being phased out, and, with an improvement in

energy and labour costs in the North relative to the South, population and real income is once again expected to grow, especially in the Great Lakes, Plains and Mountain states.

Since these are primary markets for Canadian manufacturers, the renewed growth means expanding markets for products manufactured in Canada — not only industrial products, but also consumer goods such as clothing. And remember, our climate is similar and people in New York wear much the same clothing as people in Canada.

Western New York offers a unique advantage to the Canadian businessman: The market area is strategically located close to the major manufacturing centres of Ontario and Quebec.

A unique advantage for the Canadian businessman contemplating doing business in Western New York is that it is — literally and in terms of marketing strategy — so close to the major manufacturing centres of Ontario and Quebec. You can enter the export market, with all its benefits, Government incentives, and expanded market potential, without substantial reorganization, capital investment or other "complications" that might be required for exporting further afield.

Exporting to Western New York is hardly any different from developing sales outlets in another province. If you have a saleable product, it can be sold here.

Canadian Consulate — Point of Contact

The Canadian Consulate in Buffalo maintains close contact with literally hundreds of salesmen — manufacturers reps, agents, warehousing outlets and so on — who are always looking for good products to expand their line.

Bound for Buffalo

Canadian food products of all types continue to sell particularly well in this

territory, especially cheese, fish and speciality foods. The large and varied ethnic population accounts in part for the latter. A core of successful, expert food brokers and close co-operation between the Consulate and U.S. Government regulatory agencies, in particular, the Food and Drug Administration, which have offices in Buffalo, provide a waiting market for the Canadian food merchant looking for growth. Our annual Food Show has proved a successful tool for introducing new exporters to this market.

Agricultural machinery from Canada is another strong seller, largely because of the similarity of market — farming in New York State closely resembles farming in southern Ontario or Quebec — and small tractors, rock pickers, crop spraying machinery and feed control equipment are some of the items which Canadian companies are already selling successfully. A major trade show is held here annually, offering substantial opportunities in this field.

Contract furniture is also worthy of mention as an especially "hot" item. Canadian manufacturers have already acquired a reputation for quality and, there are some excellent local distributors.

One outcome of the current surge in downtown reconstruction is a massive growth in office space which is now in short supply and will be in ever greater demand as more consultants, lawyers and other professionals continue to set up offices. This offers a great opportunity to Canadian manufacturers, many of whom utilize Consulate facilities to display their products.

These are just a few specifics. The overriding message is that this market offers a substantial opportunity to anyone who has a quality product to sell, and the backup service to maintain that quality. Exporting to upper New York State is like selling in your own backyard, with all the inherent advantages of getting into the export market. The Canadian Consulate in Buffalo looks forward to hearing from you.

Canadian Consulate
One Marine Midland Center
Suite 3550
Buffalo, New York 14203
Area Code 716-852-1247.

“The successful life of a small business is made up of many factors, but if I had to sum it up with one word, the word would be PLAN.” That’s the advice of Graham Cunningham, the small business columnist for the Financial Times of Canada and partner in the firm of G.G. Cunningham & Associates, Chartered Accountants.

The Successful Life of a Small Business

The various stages in the life of a small business can be summarized as follows:

Incubation — start-up

Development — initial expansion

Growth — continued expansion and apparent success

Consolidation — critical point

Comfort — stale

A small business can fail at any one of these stages for various reasons.

The main reason for failure according to Dun & Bradstreet is poor management, which can consist of any of the following: **no management reports, no planning, no forecasts, no cash flow, inaccurate costing and inadequate financing.**

Incubation

The main reason for the death of a business in this stage is inadequate financing caused by poor planning. The *New Company Syndrome* applies. Sales are usually much lower than predicted due to lack of confidence among potential customers. The cash requirements are much more than anticipated and the new business has no financial back-up and poor or inadequate record keeping.

An example of this is a man who was in my office last December. He had commenced business in January, hired a girl to supposedly look after his clerical affairs, spent most of his time working in the field with a line of credit financing the receivables and small inventory requirements. His financial back-up was very minimal in that his house was committed to the bank and that was his only financial back-up. He did not receive any information regarding the financial affairs of his small company and by December, or 11 months later, the bank had called his loan.

On reviewing the details, he found that he had lost some \$30,000 through, he says, one contract, but probably on most of the accounts he was working with. He since discovered on reviewing some of the cheques that the girl who was looking after the house had forged \$8,000 worth of payments to

herself and non-existent companies. This fellow had no recourse at this point but to cease operations, get a job with somebody else, probably sell his house to pay off his bank commitment and move into rented premises until he could get himself financially able to start over again.

The successful approach before commencing operations would be to prepare a realistic forecast of sales and expenses by months and a cash-flow by months to determine your cash requirements. These details should be reviewed and adjusted to a conservative basis keeping in mind the *New Company Syndrome*.

Once the total cash requirement is determined, be certain that you have back-up financing available over the amount required.

In addition, a simple bookkeeping system should be set up and *monthly* financial statements or financial information should be prepared to compare the actual performance to the forecast. You must also provide close supervision of your small staff.

Development Stage

This is the fun period. Assume you have broken the *New Company Syndrome* barrier, your products or services are accepted in the market place and you are opening new accounts and markets. The main reason for failure at this stage is again poor financial planning. You find yourself working excessive hours. You need to know about purchasing, pricing, accounting, budgeting, advertising and a great many other facets of business if you are to keep your doors open — facets which in a large organization are looked after by specialists.

Your prime concern is sales or production

and in the midst of all this confusion, you lose sight of many of the details including your bank position. As sales increase, you require additional funds to finance the increase in accounts receivable and inventory and possibly some development costs. This will cause a big strain on the bank position if there is no back-up financing available.

Growth Stage

You have now survived the incubation and development stages. The early anxieties and fears of failure are gone. You feel somewhat secure and you appear to be making reasonable profits and sales are increasing at a good rate. You are now hiring additional staff to perform office, sales, warehouse and/or plant duties. All indications are that the company is expanding in a successful manner. However, if you are to continue to expand in a successful manner, you must delegate some of the basic responsibilities to your staff and implement additional control systems. Failure to establish controls or management records to keep you informed can be disastrous.

The successful approach is basic planning. In other words, a sales and expense forecast should be prepared by month together with the cash flow. The actual financial statements should be compared to the forecast on a monthly basis. Corrective action can be taken if there is any shortfall. These monthly financial statements will pinpoint problem areas that will probably not be apparent to the owner who spends excessive hours wearing many hats in the operation of his business. In particular, cash inventory and profits will be obvious on the financial statements.

I might add here that financial statements do not mean a complicated set of figures, but merely a summary of figures that reflect the actual performance of the business for a period of time. This can be prepared very simply by a book-keeper with some supervision by your accountant.

Consolidation Stage

This is the most critical stage for your company. You have lost some personal control over some of the day-to-day tasks. You feel you have made it and can do nothing wrong. You tend to relax, and continue expansion to satisfy your ego trip. You add more staff, move to larger premises. In fact, increase your break-even point beyond a reasonable level. Due to past success, the bank has seen fit to increase the line of credit to the limit and of course all of the financial back-up is now committed. The result is disaster if not caught soon enough.

Unfortunately, when things start going wrong, it's the normal tendency of small businessmen to concentrate on those things they know best, rather than those things that should be done. People tend to withdraw into areas where they are most comfortable rather than truly digging in to find

out exactly what must be done, i.e. they revert to sales calls or to the plant, when the problem is usually financial. This is the area that should be looked after.

The successful approach is to continue the basic financial planning as in the other stages. Monthly forecast and cash flow compared to actual performance is basic. However, as your business grows it becomes more complex and the owner needs to acquire more skills or have access to employees, partners or consultants who have these skills to continue the successful operation. In addition, proper controls must be set up to be certain that the company assets are safeguarded.

In any event, the levelling off of the growth stage will automatically show a down trend in profits as some of the fixed expenses will rise. Accurate monthly financial statements are absolutely necessary in order that immediate corrective action can be taken. At this point, the company can continue on a moderate expansion plan or enter the comfort stage which is basically a status quo or inflationary expansion only. In order to maintain a reasonable profit level, it is necessary to continue the successful approach as indicated.

Comfort Stage

The comfort stage is just that — a comfortable position that the owner finds himself in. He is making a good living, is able to take the holidays he feels like taking, is enjoying the luxuries of life and is quite pleased with the total operation.

At this point, there is no expansion plan other than the inflation factor and he is very happy with his total position. The disadvantage of this position is the fact that if he wishes to retire or change his position the selling price of the company at this time is not as high as if the company had been showing continued growth at a reasonable level over the past five years.

A case in point is a company we sold that had been in business for some 50 years, had expanded considerably since 1970 and had levelled off in 1975. It had maintained a more or less status quo or comfort stage since that time. The selling price of the company at this time is about \$100,000 lower than it might have been had it been sold a couple of years ago.

A person must decide if he wishes to work for wages or build up a profitable organization to sell at a good-times-earning-factor and retire.

Succession

The Canadian Federation of Independent Business is most concerned about the fact that many businesses die on the death of the owner. What every independent businessman must ask himself is "Who will succeed me?" Let's face it, you are not indestructible and the sudden loss of the head of any independent business, whether through illness, death, retirement or whatever, can be disas-

trous unless alternate succession has been clearly established. The alternatives can be senior staff members, relatives, associates or a plan to sell the business in the event of any of the above occurrences. In any event, planning must be done and proper documentation prepared in order to minimize the problems on the sudden loss of the head of the business.

Estate Planning

Many small businesses in the past have been wound up or sold at a very small portion of the basic value on the death of the owner due to the fact that excessive taxes are required to be paid because the owner did not take the steps earlier in his lifetime to make the necessary estate planning to minimize these taxes.

Everyone must do some estate planning.

The overriding consideration should always be to serve the best interests of yourself and your beneficiaries, whatever these interests may be. Consider these important points:

- Maintaining sufficient control over the assets of your estate to prevent unanticipated hardship and to avoid as much as possible any harmful effect of releasing assets to beneficiaries at too early an age.
- Providing adequate funds for the payment of taxes and other expenses at death.
- Ensuring that there are sufficient liquid assets for your spouse and children to at least maintain a reasonable standard of living.
- The orderly transfer of assets to succeeding generations at death or during your lifetime, with minimization of the tax costs.
- Achieving income tax deferment and possible income splitting during your lifetime to reduce the impact of taxation.

Bookkeeping

I would like to bring your attention to other items which should be emphasized. I cannot emphasize too much the importance of accurate record keeping. A recent study by the Royal Bank of Canada of ten independent businesses revealed that all of them had inaccurate books. And more than half were so inadequate that the owners had no idea at all of the true state of their businesses.

An example of this is a financial statement that I received from a small businessman wishing to acquire an additional line of credit to finance the increase in his sales volume from \$30,000 a month to some \$60,000 a month. The financial statement that I received as prepared by his so-called bookkeeper was completely misleading. The time spent on forecasting cash requirements was all for nothing due to the fact that the financial statement had been prepared in a completely erroneous manner. The effect was that he did not get his line of credit, he

was unable to accept the new business which was on a contract basis and he is now trying to increase his volume on a very small basis of a few thousand dollars a month.

I might also add that record keeping is very necessary for taxes and the establishment of credit. Insurance companies also require them for any claims that may be made through fire or vandalism. Well-kept books and financial records will assist you in selling your company if you feel the time comes to retire or if you wish in fact to sell your company as part of your estate planning to your sons or relatives or senior employees.

The Royal Bank in the No. 1 series of "Your Business Matters" indicates the following which I think is good advice for anyone:

"Perhaps the best financial advice that can be given to any independent businessman is that you should develop, very early in your career, two important connections:

You should employ, from the outset, the services of a professional accountant who will keep you regularly informed on the "state of health" of your business and alert you quickly to impending financial problems. You should establish a sound working rapport with your bank manager not just when a crisis is on the horizon, but as a regular relationship.

Both these professionals are there to guide you in making the right financial decisions — continuous decisions that are vital as your business moves steadily ahead through its various stages of development."

The banking institutions have established commercially oriented branches which are better able to handle the needs of the businessman. Be certain that you are dealing with one of these branches.

Another bit of advice is don't hide the facts from people who can help you. Your accountant, your bank manager, your lawyer, your insurance man, are all interested in seeing that your business is successful. They will profit from the success of your business by their charges for their services and in addition, everyone wants to be connected with winners, not losers. They want you to be successful. Therefore, you should not pretty up your financial statements or try to mislead these people.

A major requisite for effective management on the part of the owner is the planning and control of his business's cash. Even the growing, successful concern needs judicious cash control to avoid the common problem of becoming over-extended, and to inspire confidence in outsiders in the entrepreneur's ability to look to the future and prepare for contingencies.

The successful life of a small business is made up of many factors, but if I had to sum it up with one word, the word would be "plan."

Last year, T.M. Thomson & Associates, consulting engineers and foresters in Victoria, B.C. needed to connect with Ottawa to establish potential eastern clients. A few direct calls to the Ottawa Business Centre sufficed to bridge a gap that would have otherwise taken considerable time, says Thomson vice-president Roy Ayler. "The Business Centre people were very useful in finding the right contacts. They made all the arrangements and served as an excellent central contact point." When Vitto Masotti, President of Sudbury's Vitto Brand Foods needed export information from Ottawa bureaucrats, he too contacted the Ottawa Business Centre. "They were very receptive, put me in touch with the right people in no time at all, and provided an excellent service. I was very pleased to get this type of fast response." Both intended to use the Business Centre again (and again) . . . a positive note on which to celebrate the Centre's second birthday and a good illustration of why. . . .

It Pays to Call the Ottawa Business Centre

(The action is positive)

The Business Centre, located in Industry, Trade and Commerce's headquarters in the modern C.D. Howe Building in downtown Ottawa, first opened its doors in March 1978 to "put an end to the discouraging run-around that business people have complained of for years when they've tried, in the past, to get information or help from the government."

The figures say it all.

During the first two years of operation, the Business Centre handled more than 79,000 telephone inquiries, received 4,800 visitors, answered 28,000 letters, mailed 69,000 publications and arranged more than 1,400 meetings for Canadian and foreign business people with government representatives and agencies in Ottawa.

Here's how it works. . . .

Five counsellors, experts in the wide array of government programs and assistance, provide information, advice, guidance, contacts and follow-up service to the nation's business community, by telephone or in person. These coun-

sellors, under Director P. Eugene Marchand, maintain up-to-date contact with other federal and provincial departments and agencies, are abreast of the latest economic and commercial developments, and have on hand an extensive information bank. This enables them to handle even the most complex inquiry with quick dispatch. "If someone calls the Centre, it's the last call they're going to make," as far as Director Marchand is concerned. "The counsellors make the necessary contacts and the information usually gets back to the caller the same day."

While the staff itself isn't on duty around the clock, the Centre is — by means of an electronic answering service. Each inquiry is logged to ensure that proper action is taken and that follow-up is complete.

The Business Centre also publishes the "New Products Bulletin" — information for Canadian manufacturers on licensing and joint venture opportunities, and the "Doing Business in Canada" series that covers every facet of the Canadian business scene.

Marchand says 85 per cent of all inquiries relate to financial assistance, by manufacturers seeking assistance for research and development, plant expansion or those who want to start their own business. "We find a lot of people don't know where to go. They've never been in business before. Some of them don't even think of contacting the bank." In this case, a counsellor may recommend approaching the Federal Business Development Bank (FBDB).

"We also make them aware of the Small Business Loans Act," says Marchand. "It's cheaper money: one per cent over the Bank's prime rate and guaranteed by the government."

Marchand says 80 per cent of all inquiries are answered immediately. He once received a call from the Edmonton airport, where an importer had some fur coats arriving from abroad and the customs and excise people wouldn't allow them in. Marchand first directed the man to call him back — collect. After pinpointing the problem, Marchand contacted the appropriate experts and the whole situation was promptly rectified.

If the past is any indication, the Business Centre is in for a busy third year of operation.

So, if you have a problem. . . .

If you need information on government services . . . advice on trade matters . . . a business contact in Ottawa . . . or a listening post for your views on government matters. . . .

The Business Centre in Ottawa is ready and waiting to help. Just call — collect — (613) 995-5771 — or drop in.

The Business Centre
Industry, Trade and Commerce
Level 01 (centre area)
235 Queen Street West,
Ottawa, Ontario
K1A 0H5
Telex: 053-4123

Wait. . . there's more
In March 1979, because of the success of the Business Centre in Ottawa, the Board of Economic Development Ministers decided to open Business Information Centres in all of the provinces. By merely calling the operator and asking for ZENITH 0-3200, business persons are put in direct touch with the BIC office in their province.

Canada's Relative Trading Position

These tables showing Canada's relative trading position have been prepared by the Economic Intelligence Branch, Economic Policy and Analysis, Industry, Trade and Commerce, based on material provided in various U.N. publications.

Canada's Share of World Trade

Share of World Exports

	Current Dollars			Share of Manufactured Exports For: Developed Market Economies	
	All Commodities	Manufactured Goods	Non-Manufactured Goods	Current Dollars	Constant (1970) Dollars
1960	4.3	3.6	5.2	4.3	4.2
1965	4.3	3.5	5.6	4.2	4.5
1970	5.1	4.8	5.7	5.7	5.7
1975	3.7	3.2	4.4	3.8	4.9
1976	3.8	3.5	4.3	4.2	5.0
1977	3.7	3.4	4.1	4.1	5.2
1978	3.6	3.2	4.1	3.9	5.5

Selected Countries Shares of Developed Market Economies Manufacturing Exports (percent)

	Current U.S. Dollars					Constant (1970) U.S. Dollars				
	1960	1970	1976	1977	1978	1960	1970	1976	1977	1978
Belgium-Lux	5.4	5.7	5.3	5.3	5.3	5.2	5.7	5.3	5.2	5.2
CANADA	4.3	5.7	4.2	4.1	3.9	4.2	5.7	5.0	5.2	5.5
Denmark	0.9	1.1	1.1	1.0	1.0	0.8	1.1	0.9	0.9	0.9
France	8.7	7.9	8.7	8.9	9.0	8.4	7.9	8.2	8.5	8.5
Germany, F.R. of	17.4	18.1	18.6	18.8	18.4	17.8	18.1	17.5	17.5	17.4
Italy	4.6	6.6	6.4	6.8	6.8	4.2	6.6	6.9	7.0	8.0
Japan	6.2	10.7	13.3	14.0	14.2	5.4	10.7	13.6	13.8	13.4
Netherlands	3.6	4.0	4.6	4.3	4.1	3.5	4.0	4.3	4.1	3.9
Norway	0.9	1.1	1.0	1.0	1.0	1.0	1.1	0.9	0.9	0.9
Sweden	2.8	3.1	3.0	2.8	2.7	3.0	3.1	2.5	2.4	2.4
Switzerland	3.0	2.7	2.8	2.9	3.3	3.3	2.7	2.3	2.4	2.5
United Kingdom	15.0	9.7	7.9	8.5	8.7	15.3	9.7	8.2	8.3	8.1
United States	22.3	17.4	15.9	14.5	14.2	23.1	17.4	17.1	16.1	16.9

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



Come to the trade fairs! Canada's Show Windows for the World

Each year the Department of Industry, Trade and Commerce, in co-operation with Canadian exporters, participates in an average of 50 trade fairs in 25 countries throughout the world.

These shows spotlight Canadian products or information on Canadian manufacturing in an identifiable Canadian booth or pavillion.



Interested?

**For more information contact:
your nearest IT&C Regional Office**

or

**Fred W. Myers (613) 995-6221
Trade Fairs and Missions Branch (32/1)
Industry, Trade & Commerce
235 Queen St. W., Ottawa, Ontario
K1A 0H5**

Upcoming Trade Fairs are listed in each issue of Canada Commerce Newsletter.



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