



Are Ontario's International Trade Offices Worth the Price?

by Douglas Jure

Ontario Treasurer Floyd Laughren announced that his government is closing a number of its trade offices in the United States and shifting personnel. This decision comes at a time when news about the trade offices carried stories of personal sexual conduct, dictatorial management and excessive costs, rather than reports of successes in promoting Ontario exports and securing new foreign investment.

Even in this difficult period of deficit management, the benefits of Ontario international trade offices should not be discarded so quickly because they have and will continue to play an important role in promoting provincial and municipal economic development.

I am not suggesting that Ontario's trade offices are above reproach. However, an objective means of evaluating each office's effectiveness would lead to conclusions based on fact, not hearsay.

First, some facts about provincial representation abroad.

PROVINCIAL REPRESENTATION ABROAD

The globe is dotted with provincial trade offices. Only Canadians from Prince Edward Island and Newfoundland do not have one of their own civil servants or former politicians representing them somewhere in the world. The growth in provincial representation abroad did not get seriously under way until the 1980s.

The provinces (with Quebec and Ontario in the lead) were motivated primarily by the Trudeau government's deci-

sion to dismantle its Department of Industry, Trade and Commerce at the end of the last recession. The department's trade commissioner service was absorbed by the Department of External Affairs.



“open for business,” placed renewed emphasis on trade promotion, and in the process expanded Canada's representation in key markets such as the United States and Japan.

During the administrations of premiers John Robarts and William Davis, Ontario's trade offices focused on trade promotion and attracting foreign manufacturing investment to fuel the province's economic expansion. The trade ministry was the lead player, followed by the ministries of agriculture and food, and tourism and recreation. The offices' activities complemented federally-sponsored initiatives. And, in some cases, Ontario's presence balanced Quebec's in various foreign markets.

Premier David Peterson's administration expanded the offices' activities to include cultural promotion and attempted to harness the entire Ontario government's potential export activities under one ad-

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The consequence of this reorganization was significant. Gone was the commercial orientation of the federal civil servants posted abroad. Gone too were the embassies' easy access to Ottawa for quick decisions on trade and investment promotion programs and the budgets required to support them. As the new Department of External Affairs' organizational framework fell into place, the provinces moved to fill the vacuum.

The new Mulroney government, announcing that Canada was once again

ministrative umbrella.

FUNDING OF THE INTERNATIONAL TRADE OFFICES

Ontario's current trade minister, Ed Philip announced, at his post-provincial Budget briefing for business representatives last April, that the government was reviewing all its export marketing activities, including its network of international trade offices, which apparently resulted in the Treasurer's announcement. To-

gether, all of this has led to a significant reorganization of the Ministry of Industry, Trade and Technology under its new deputy minister, Peter Barnes.

The trade ministry estimates that it will spend \$40 million this year on its trade and international relations activities. Probably 60 percent of that budget, or \$24 million, is allocated to the operations of the ministry's 17 offices in 16 cities in 11 countries. (This price tag does not include the cost of international offices and activities maintained by other ministries such as Agriculture and Food, and Tourism and Recreation.)

How can politicians, bureaucrats, and for that matter the rest of us, judge the success of Ontario's trade offices and determine whether we are getting value for the more than \$40 million spent by the ministries on trade promotion?

In past years, the performance of Ontario's trade offices has been measured through a formula that involved calculating the number of jobs created in Ontario resulting from the exports sales and foreign investment activity claimed by the offices, and dividing that number by the offices' operating budgets. This calculation produced the comparative cost of generating a new Ontario job by each office.

Unfortunately this approach has two shortcomings. First, the manner in which an office is credited with assisting exporters and securing foreign investment is problematic. The cause-and-effect linkage between stated results and an office's actual contribution to the achievement of those results is often tenuous and difficult to establish.

Second, the calculation does not factor or at least acknowledge the variable costs of operating trade offices in different countries and cities around the world. For example, it is cheaper to operate a trade office in Chicago than it is in Tokyo.

CRITERIA TO REVIEW THE INTERNATIONAL TRADE OFFICES

As part of the process of reviewing the effectiveness and cost-efficiency of Ontario's trade offices, the Premier may wish to pose his questions under the following subject headings: mandate, market, management, money and measurement.

1. Mandate: A trade office's objective is to promote business development. The traditional representational activities such as twinning cities and escorting visiting delegations should not be used to assess its performance. Business decisions are based on such factors as potential markets, distribution networks, availability of skilled labour, and the like. Accordingly, the trade office's performance should be judged by the ability to gather, interpret and deliver timely and relevant commercial intelligence. This information is not clipped from daily newspapers and trade journals, and faxed to Queen's Park. It requires original research geared to the decision-making requirements of business.

2. Market: Is the trade office located in the right market? Does the market provide unexploited opportunities for Ontario exporters? If so, can a trade office be of direct assistance? Similarly, do companies located in those markets constitute a potential source of foreign investment into Ontario? If they do, are they the kind of companies which will bring new manufacturing technology to Ontario and create jobs appropriate for Ontario's skilled workforce?

3. Management: Is the trade office staffed by qualified local personnel and supervised by an experienced member of the Ontario Trade Ministry? Local staff members should be experienced, successful, and respected members of the business community. They should also be prepared to expand their knowledge and contacts as required of their work in a trade office. The Ontarian assigned to manage the office should be knowledgeable about and respected by the Ontario business community, and should be prepared to learn about and research the business opportunities in the assigned territory. The assignment should be viewed as a stepping stone in a promising career as opposed to a reward for past service, or a place to coast until retirement. Naturally he or she should be motivated to pursue the trade objectives established by the ministry for that market. Anyone who says: "It can't be done because its not done that way here" really means: "It's time to bring me home."

4. Money: Has the office been given the budget to do a proper and effective job? If the budget simply provides for the salary of the Ontarian plus that of a couple of local staff members, some office space, furniture and a telephone, the office will be ineffective. As a rule of thumb, a successful trade office must be in a position to spend 2 1/2 times its overhead budget (salaries, rent, telecommunications, etc.) on local programming activities including publicity, media relations, advertising, seminars and trade shows.

In today's competitive international investment and trade marketing environment, publicity and promotion are essential program elements. These activities help to establish and maintain top-of-mind awareness of Ontario's products, services and investment opportunities among corporate decision-makers in the international business community.

5. Measurement: Ultimately, the performance of Ontario's International Trade offices should be judged by those they are to serve - the Ontario business community. Does the office communicate with Ontario business executives and the business community in which the trade office is located? Do Ontario business executives know anything about the office's personnel and services? After all, doctors know about the Ministry of Health, and truckers know of the Ministry of Transportation. Exporters should be equally aware of Ontario's trade offices.

The Premier and his trade minister should discuss relevant matters with a representative cross section of Ontario business executives on a regular basis. They should ensure that their trade offices deliver the quality commercial intelligence required for Ontario exporters to make the right strategic marketing decisions.

They should pursue the same themes when speaking with foreign business representatives, particularly in communities in which Ontario's trade offices are located. It is important that executives in companies buying Ontario products and services or establishing operations in Ontario know that the province operates a trade office conveniently located in their community.

COMMUNITY RELATIONSHIP WITH TRADE OFFICES

Just as the Premier and his trade minister should objectively assess the performance of Ontario's trade offices, so should municipal economic development officials.

Municipal economic development officials must carefully develop a working relationship with the trade offices, and not expect that their interests will be taken care of automatically. Although there never has been a secret list of municipalities earmarked for foreign investment by the Ontario government, municipal officials either feel excluded or are disappointed with the treatment they receive.

An effective and productive working relationship with an Ontario trade office requires municipalities to complete four important steps. They are:

1. A comprehensive positioning statement. How should the community be perceived in the minds of international investors? General life style promotion is not effective because, unfortunately, no community can appeal to every investor.
2. A clear and concise description of the community's economy. Although every community in Ontario is a nice place to work, live and raise children, information on the municipality's supplier network, telecommunications and transportation facilities and services, and the composition of its labour pool are all necessary to describe a local economy. This flows from the positioning statement, and is supported by a commitment to provide information.
3. A commitment to current and relevant information. Investment planners digest great quantities of commercial, market and political intelligence. Traditionally this kind of information on which decisions are made has been in short supply. The better the information, the better able the office is to work for a municipality's interests.

4. Target foreign investors. Municipalities must identify the foreign companies they would like to have set up business in their communities. Investment decisions are made by people, and a personal rapport should be established. Unlike the federal and provincial governments, municipalities cannot offer financial incentives which is the key to attracting foreign investment. Therefore, municipalities must be selective and develop personal relationships with senior company executives who are making investment decisions.

Establishing an effective working relationship requires equal work by both partners. If municipal officials are able to achieve that, then Ontario's trade offices are worth the price.