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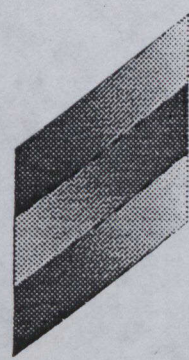
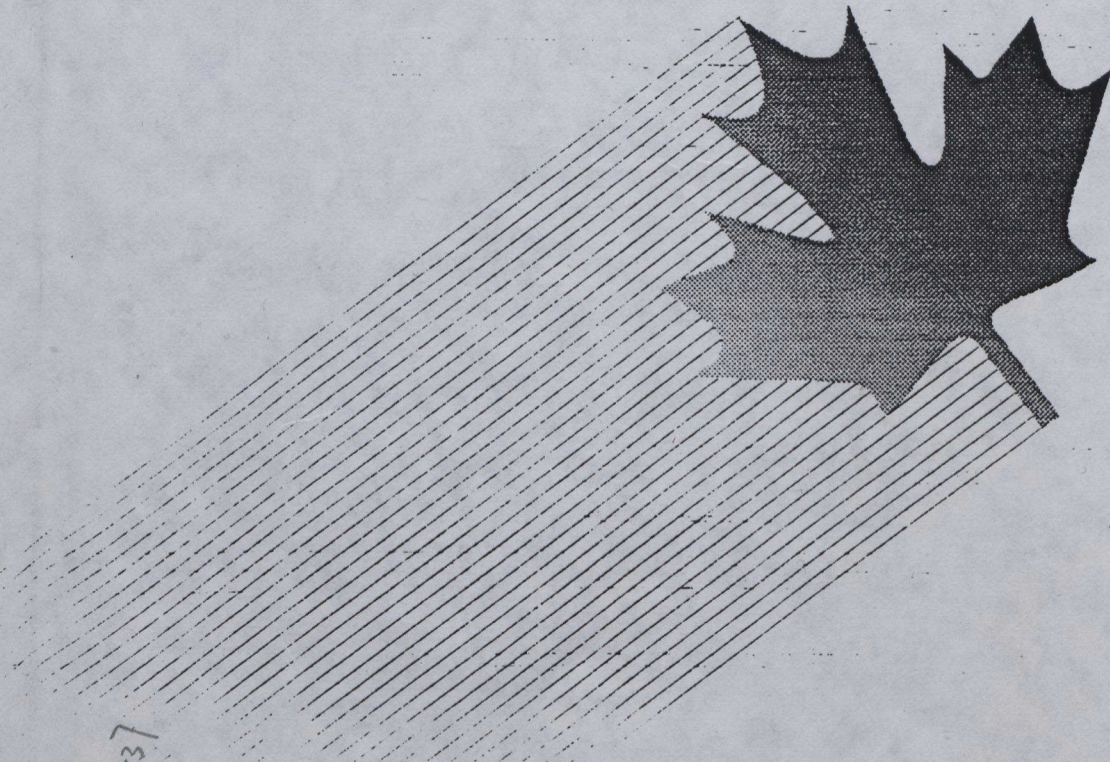
# Global Market Opportunities Review

## Telecommunications

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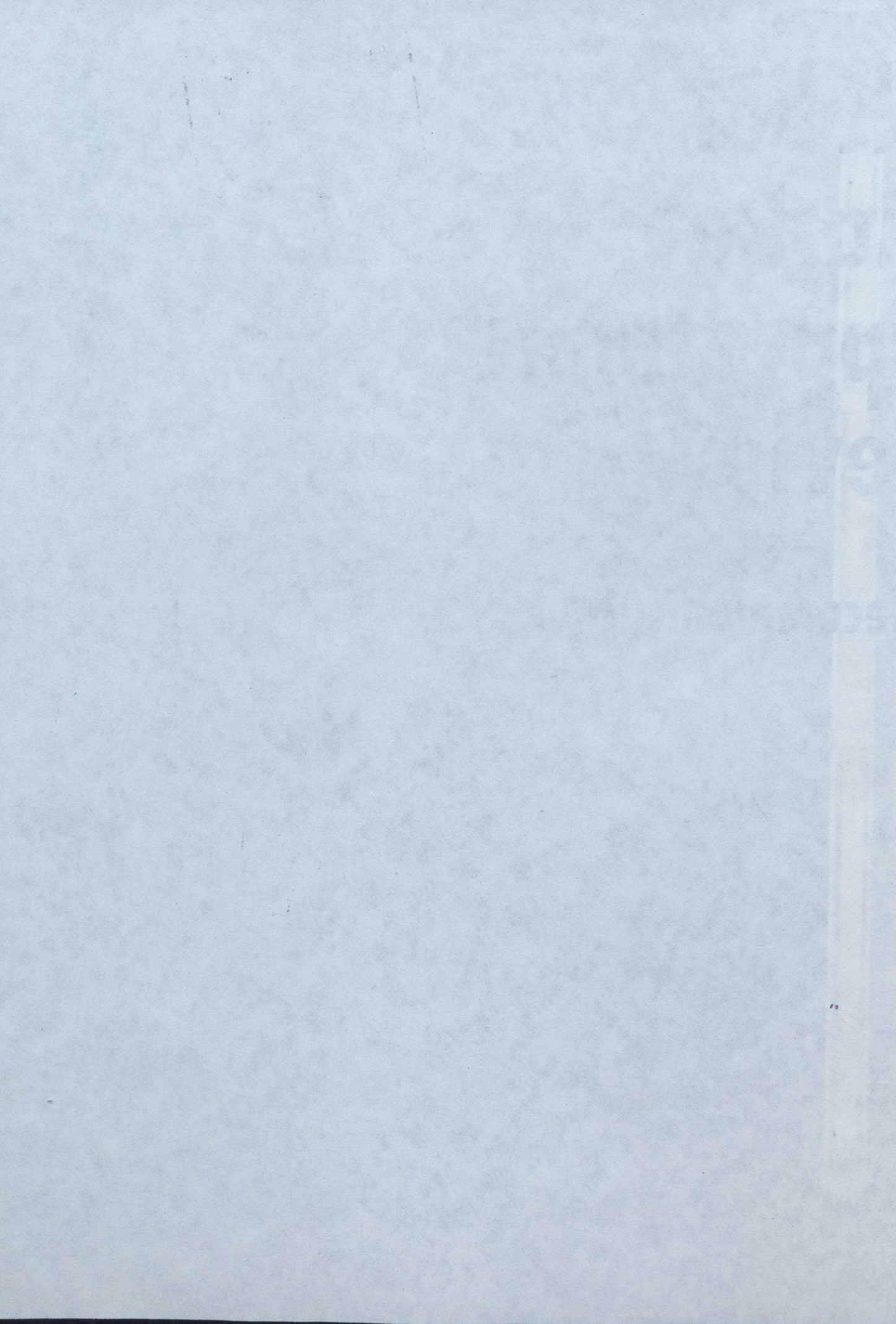
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## GLOBAL MARKET OPPORTUNITIES REVIEW

### PRIORITY SECTOR: TELECOMMUNICATIONS

**PURPOSE:** To focus and enhance trade development in support of the telecommunications sector.

### SECTOR DESCRIPTION:

- Telephony
- Data Communications
- Satellite
- Radio
- Fibre, Cable and Outside Plant
- Systems Integrators
- Services

The Canadian telecommunications sector is robust and growing. Domestic revenues for goods and services were about \$15 billion in 1991. Historically, the sector has been relatively immune to the cyclic economic pressures common to most industrial sectors in Canada, principally as a result of the regulated operating environment of the telephone operating companies such as Bell Canada and B.C. Telephone. These companies are the major Canadian customers for industry suppliers such as Newbridge, Glenayre, Northern Telecom, etc. Historically, the industry developed in a climate of serving the needs of these carriers which have traditionally operated under the scrutiny of a benevolent regulator. The CRTC, until recently, has permitted no foreign and little domestic competition for the carriers.

The sector exported in excess of \$1.9 billion in 1989, with an estimate for 1991 of \$2.5 billion, principally driven by Northern Telecom and a few of the top players such as Glenayre, Newbridge and Mitel. Three factors stand out in any analysis of telecom exports:

- ≈ 50% of export revenues are generated by Northern Telecom.
- The vast majority (over 80%) of companies are engineering driven (as opposed to market driven) niche players and earn less than \$ 1 million per year in exports.
- Canadian carriers play no significant role in exports.

These factors must be considered in the development of any trade plan or policy discussions designed to assist the industry in increasing exports.

## MARKET PROSPECTS:

The following markets, grouped by region, represent a synopsis of global market potential for telecommunications. Each individual market within a region has not been identified, as this assessment is principally structured to reflect the trade plans submitted by posts abroad. Each noted market is rated in accordance with current marketing intelligence on the overall potential of this market compared to other markets within the region and also against other regions. These brief summaries are intended to provide a framework describing the overall telecom environment, and allowing a comparison of markets based upon their relative merits, i.e., attractiveness as direct export opportunities. Known successes of Canadian companies within specific markets, market access difficulties, funding availability and infrastructure development are also factored into the overall market assessment. Markets are categorized as follows:

- Tier A: Cash market in most cases, clearly defined market access procedures with few restrictions, interest and success of Canadian companies at a high level, an established infrastructure, and proven, relatively stable, growth potential for market. Financing is not routinely a consideration.
- Tier B: Emerging markets with proven interest in Canadian products, some degree of Canadian success, evolving infrastructure with capability to deal with most large development projects, and generally moderate-to-high level of interest from Canadian companies. Concessionary or commercially attractive financing is often a necessary factor for Canadian success.
- Tier C: Usually complete dependency upon concessionary financing, long decision cycles, complex business practices, often lacking necessary infrastructure to adequately support development projects, and usually not of great interest to Canadian manufacturing companies.

## ASIA PACIFIC REGION:

### REGIONAL ASSESSMENT

This region receives a significant amount of interest from Canadian companies. Markets range from Tier A to Tier C. On average, marketing costs are higher in this region than any other a Canadian company may approach, principally due to distance. The emergence of the Newly Industrialized Countries (NIC), and the population dynamics suggest that the region will be one of the main global economic centres in the near future. Tier B countries, especially, represent an enormous market, as the telecom infrastructure generally requires major development. China and India represent the two outstanding marketing anomalies in the Region. China, with its enormous requirements and limited foreign exchange, represents a definitive case study in the difference between market and market potential. India has requirements on the same order as China yet has, until recently, made it very difficult for foreign firms to enter the market.

- TIER A:**
- Hong Kong Active market, fast decision cycles, good hub for regional penetration.
  - Korea Very active market, notable penetration by Canadian firms.
  - Singapore Active market, much the same characteristics as Hong Kong. Good hub for ASEAN market. Striving to become the information hub for Asia.
  - Australia Interesting market, compatible for Canadian companies because similarity of language and economy. Recent changes resulting from deregulation and privatization of market have increased opportunities. Sydney is predominant contact point to identify partners and opportunities but Melbourne is headquarters to Telecom Australia, the major customer.
  - Japan Excellent market, but long decision cycles and necessity to establish a relationship make it suitable primarily for larger firms who can afford the marketing expense.
  - N. Zealand Cash market, completely open to Canadian companies. Small, with relatively few opportunities of sufficient size to justify marketing expense, unless Canadian firm is also doing business in Australia.

ASIA (cont'd)

- NOTE:** Taiwan This market has not been aggressively promoted to Canadian firms yet Taiwan represents one of the best potential markets in Asia for small to medium-sized Canadian firms. The Department would actively support most export promotion activity involving telecom.
- TIER B:** Thailand Active market, complicated decision cycles, larger projects require financing, attracts intense competition from major international players. Major opportunities exist which are appropriate for Canadian firms.
- China Beijing Difficult, but potentially lucrative market for Canadian firms. Long decision cycles, price dependent, and financing necessary. Infrastructure falling behind requirements, but political overlay for purchasing decisions will remain major factor for the foreseeable future.
- Shanghai Easier access than Beijing for Canadian companies as many decisions can be made at local level rather than national. Economic decisions often made more rapidly than Beijing. Otherwise, same considerations as Beijing.
- Indonesia Several large development projects, characterized by WB or ADB funding, which are appropriate for Canadian firms. Very long, convoluted decision cycles, expensive and difficult for Canadian firms to address due to necessity to identify 'correct' agent for a specific project and the necessity to make numerous visits to market to expedite decision process.
- Malaysia Privatized PTT, established infrastructure, moving towards putting in place the best network in the ASEAN region. Generally easier to penetrate than either Indonesia, Philippines or Thailand, the other comparable markets.
- Philippines Politically chaotic at times, evolving infrastructure but network inter-operability and purchasing/financing considerations can make it difficult for Canadian firms. Significant opportunities exist, especially in rural telecommunications. It should be noted that CIDA/EDC have in place a significant line of credit for the Philippines.

**TIER C:** Sri Lanka Notable lack of interest on part of Canadian firms when compared to ASEAN. Concessionary financing required, infrastructure creaky, network backward. Political environment perceived as threat by Canadian firms considering partnering with local representatives to introduce product.

Bangladesh Difficult market, financing all-important. Does not generate much interest within sector as market size is relatively small and most firms can rapidly identify several other countries within region with more potential and shorter decision cycles.

India Increasing interest from Canadian firms, particularly smaller ones, but little notable success. Intellectual property issues, foreign ownership restrictions (possibly easing in near future), import restrictions on technology and Indian government determination to develop indigenous technology have made it difficult for Canadian firms to penetrate market in any significant fashion in the past.

Recently, the Indian government relaxed ownership restrictions to allow 51% foreign ownership. Also, the partial convertibility of the rupee will serve to ease access of foreign goods and technology. India is also actively seeking strategic partnerships with major international telecom manufacturers such as Ericsson, Alcatel, etc., to fuel technology transfer.



UNITED STATES:

REGIONAL ASSESSMENT

The U.S. represents approximately 65% of all telecom exports from Canada. In recent years, this market has received dedicated sector attention from EAITC. The market potential is certainly there, as the U.S. is predicted to double its capital expenditure by the end of the decade. Currently, the U.S. is the fastest growing large market in the world.

- TIER A:**
- Atlanta Probably most active telecom post in U.S. due to sector experience of commercial officer. Very lucrative market area for Canadian firms over past two years.
  - Dallas Excellent market for most advanced technologies. Rapidly becoming a major high tech area, possibly surpassing Boston. Dallas is also attracting headquarters operations of many companies previously located in NorthEast. SSC facility should be catalyst for continued growth for several years.
  - Los Angeles Significant market area for Canadian firms, but very little export promotion related to telecom in recent years with exception of occasional national show scheduled for L.A. or Las Vegas i.e., COMDEX or USTA.
  - San Francisco Silicon Valley usually viewed as sole high-tech market but significant market potential exists in Nevada, Utah, Colorado. Very little export promotion for telecom in recent years.
  - Seattle Aerospace, software and electronics have all spawned numerous opportunities for Canadian telecom firms, especially those located in BC and Alberta. Very little export promotion for telecom in recent years.

## WESTERN EUROPE:

### REGIONAL ASSESSMENT

The Western European market is the 2nd largest in the world, and certainly represents fertile ground for Canadian companies. Three of the largest 'national' companies reside in the region (Alcatel, Siemens, and Ericsson). Europeans are very familiar with the vagaries of non-tariff barriers such as rigid testing and certification procedures. Adherence to national standards and technical specifications make market penetration a difficult and costly proposition for Canadian companies. Also, since telecom is one of four sectors currently excluded from the disciplines of the GATT government procurement code, Canadian suppliers do not enjoy assured access to procurements by EC governments. It is estimated that between 70% and 90% of contracts awarded by telecommunications administrations have gone to national producers. This is gradually being overcome as a result of the EC92 evolution and through GATT discussions, but has not yet disappeared. It should also be noted that the technical infrastructure to support telecom is in place in most of the Region (Portugal, Greece and Turkey being the possible exceptions) and financing is seldom a problem.

- TIER A:**
- Turkey One of the largest regional markets for Canadian telecom, principally due to activities of Northern Telecom. Exceptional penetration rate of Canadian technology.
  
  - Germany Ongoing deregulation and the move towards privatization and the need to upgrade existing equipment are yielding some new opportunities for Canadian firms attempting to gain access to this market, currently ranked as the #3 international market. Nevertheless, a small number of national firms (such as Siemens and MBB) continue to dominate, particularly in the area of public procurement bidding.
    - Bonn Excellent technology base, firmly established infrastructure, quality more important than price for firms attempting to penetrate market or establish joint ventures.
  
    - Munich Good market, subject to much the same considerations as Bonn.
  
    - Berlin New market, with little market intelligence. Should represent an excellent entry point for Eastern Europe but concern exists that the major German players such as Siemens, MBB, etc. will leave nothing more than crumbs for firms from other countries.

## W. EUROPE (cont'd)

Denmark Small, but lucrative market for Canadian telecom.

Ireland Excellent market, attractive choice for Canadian firms when establishing 'European' operations to manufacture product.

Netherlands Excellent market, larger than most perceptions by Canadian firms. Exceptional jumping-off point for rest of Continent, and attracting more interest from Canadian firms.

Britain Excellent market for Canadian firms. More liberalized than Canada, with sufficient entrepreneurial activities to provide good opportunities for Canadian firms.

France Relatively small amount of Canadian success given size of market, but great potential if given appropriate export promotion.

**TIER B:** Greece Relatively small market compared to Tier A countries, with some difficulties in financing and infrastructure.

Switzerland Relatively small market potential given inclinations to look to either Germany or France for technology. Market is not liberalized, and standards issues are common. Quality more important than other considerations.

Belgium Small market, but some potential exists for EC leverage and NATO procurement opportunities. May represent a good starting point for small to medium-sized Canadian companies wishing to establish a foothold in Europe.

Portugal Opportunities should exist, primarily stemming from EC92 requirements and the need for a massive upgrading of the network. Portugal will have to be bootstrapped by EC partners which will almost certainly predicate major purchase going to an EC firm. Still, niche players from Canada may do well. Financing will be a relevant factor in all major purchasing decisions.

Spain Substantial market, but indigenous Spanish technology capabilities are often under-rated by foreign firms attempting to penetrate market. Canadian companies are often surprised in other parts of the world to find themselves competing with, and often beaten by, Spanish telecom suppliers. That said, there are still good market sub-sectors such as data, packet switching, and broadband networks etc. suitable for Canadian niche players.

Italy

Interesting market, with primary Canadian success stemming from niche markets insufficiently large to attract either Italian firms or European majors.

Sweden

Sweden is a captive market for Ericsson, one of the larger global players in telecom. Occasional niche opportunities, and partnering is a viable option for Canadian players with a competitive price structure and very high quality.

Brazil

Recent changes in the rules governing foreign investment and importation of foreign technology have brightened the prospects for Canadian companies considering entry to this market.

Brasilia

Although key contact point for infrastructure projects requiring government involvement and projects relating to operations in the interior of Brazil, relatively little telecom trade conducted through this post.

## EASTERN EUROPE/USSR:

### REGIONAL ASSESSMENT

Composed entirely of Tier B and C markets, this Region requires that any Canadian company approach the market with a clear vision of what they wish to accomplish, deep pockets, and a commitment to toil in the marketplace for several years before achieving a return on their investment. The technical infrastructure is usually weak within a given country, network interfaces between countries often leave much to be desired, there is a universal backlog of requests for local services, very few international gateways, and there is seldom the hard currency needed to acquire the desired technologies and expertise.

**TIER B:**     Russia -     Largest potential market in region, but relatively unattractive for all except those Canadian firms large enough to 'invest' for several years. The network infrastructure is fragmented, the decision process is disjointed, and the market is in various stages of liberalization. Financing is also a concern, as are managerial capabilities. Engineering and technical expertise is of very high calibre. Great interest in Canadian technology but few opportunities to recover investment.

Czech and Slovak Federal Republic     Small, somewhat fragmented market for telecom. Good technical expertise, controlled market (government owned), and cumbersome infrastructure. Financing major consideration.

Poland     Good market potential, but little available funding. May potentially represent best market in Eastern Europe. Little Canadian telecom success to date but significant amount of interest exists on part of Canadian firms.

Spain     Substantial market, but indigenous Spanish technology capabilities are often under used by foreign firms attempting to penetrate market. Canadian companies are often surprised in other parts of the world to find themselves competing with, and often beaten by, Spanish telecom suppliers. That said, there are still good market sub-sectors such as local packet switching, and broadband networks etc. suitable for Canadian niche players.

## AMERICAS:

### REGIONAL ASSESSMENT

Several nations in this Region represent excellent target markets for Canadian companies, especially Mexico, Venezuela and Colombia. Several Canadian companies have become noticeably more aggressive over the past 18 months, particularly members of the BCE family such as Northern Telecom, Bell Canada International and BCE itself (as members of an international consortium). Several of these nations are beginning to get their financial houses in order, particularly Mexico. All things considered, it is conceivable that this Region could hold as much potential for Canadian companies as the Pacific Rim and Western Europe.

**TIER A:**     Mexico     Without doubt the single best market in Region. Large market size, improving financial condition, aggressive expansion of network capabilities, appreciation of Canadian technology and significant level of interest on part of Canadian firms all suggests that Mexico should receive major attention in export promotion. If NAFTA becomes a reality, Mexico may well become our #2 telecom market after the U.S. over the course of the next decade.

**TIER B:**     Argentina     The PTT has recently been purchased by Spanish interests and the assumption exists (probably correctly) on the part of Canadian firms that procurement opportunities will be limited. This, combined with the chaotic telecom network and a cumbersome bureaucratic infrastructure, reduces the immediate potential of the market.

Colombia     Very interested in Canadian technology, particularly cellular and rural telephony. Occasional perception difficulties for Canadian companies which assume that Bogota has great potential for physical danger.

Brazil         Recent changes in the rules governing foreign investment and importation of foreign technology have brightened the prospects for Canadian companies considering entry to this market.

Brasilia     Although key contact point for infrastructure projects requiring government involvement and projects relating to operations in the interior of Brazil, relatively little telecom trade conducted through this post.

## AMERICAS (Cont'd)

Sao Paulo A substantial domestic market, but traditionally hamstrung by fiscal environment, government regulations and import difficulties. As mentioned earlier, these restrictions are changing, and Sao Paulo, along with Rio de Janeiro, should develop into locations of more interest to Canadian companies.

Barbados Surprisingly large market share for Canadian technology, but overall market still represents small potential compared to other markets in region. Canadian firms already established should be able to leverage existing product base to maintain market share. Growth potential is limited.

Venezuela Overall potential is 2nd only to Mexico over longer term, but existing attempts to privatize government PTT, and limited projects outside of petroleum sector make current potential tenuous. It is an excellent time for Canadian companies to become more familiar with the market, and perhaps make contacts with potential agents/distributors who will be in a position to assist them when the market stabilizes and begins to grow.

Jamaica A relatively small market, but one in which several Canadian firms have had some success. Growth potential is limited in comparison to other markets in the Region.

Chile Chile does not represent the potential present several years ago when the Alan Bond group bought into the PTT and injected capital into the network, but it is still a very reasonable market for Canadian firms to pursue. Even though the pace of network development is not proceeding as rapidly as in the past, Canadian firms are still successful in penetrating the market. Chile's reputation as a well-managed economy is also encouraging to firms considering entering the market.

**TIER C:** Peru Chronic fiscal difficulties, tense political environment, and complete reliance on concessionary financing or development/aid projects. We should examine the implications of removing this market from active consideration for export promotion.

Trinidad & Tobago Limited size of market and low level of current interest or activity on the part of Canadian firms would suggest that export promotion should be restricted to collection of market information and advice to Canadian companies.

REGIONAL ASSESSMENT

Costa Rica Small market, financing considerations and lack of any major network development projects lower the potential of this market.

Morocco

Saudi Arabia

Lebanon

Tunisia



## MIDDLE EAST AND THE MAGREB:

### REGIONAL ASSESSMENT

The Middle East essentially represents either 'have' or 'have-not' markets. Principal competition for major systems is provided by Alcatel (especially in the Magreb), Siemens and Ericsson. The anticipated reconstruction opportunities in Kuwait have been slow to materialize. Canadian technology is appreciated, but many countries feel that our equipment is over-priced. Glenayre has been notably successful in penetrating many of these markets, but Canadian success has otherwise been spotty.

- TIER B:**
- Algeria Larger Canadian companies such as BCI, Northern, etc. and niche players do see a potential in this market, with the caveat that training, in-country presence and local technical support may be necessary for any projects of magnitude.
  
  - Morocco Viable market, but with no concessionary or export financing currently available.
  
  - Saudi Arabia Limited success in recent years for Canadian companies. The Kingdom's ambitious plan to add 750K lines has resulted in major marketing efforts by Northern Telecom and others. BCI is also active, with their chances of success bolstered by their eleven years of activity in the Kingdom. A Canadian paging system (Glenayre) is in place, with expansion of system possible sometime during the next two/three years. A local agent is imperative, and selection should be made carefully, as a company's 'chosen one' will probably represent them for as long as they are in the market (Such agreements are very difficult to break).
  
  - Israel Interesting market, but one which attracts little focused attention in terms of telecom export promotion. Demarcation between commercial telecom and defence is blurred, making export permits a necessity.
- TIER C:**
- Tunisia Good market potential for CATV, switching, microwave, rural radio and paging systems, but financing is a necessity.

- TIER C:**     Jordan     The Jordanians are very interested in Canadian technology, but have no funds for acquisition and outlook for additional financing looks bleak. Also in fitful process of deciding to privatize their PTT. Effective infrastructure and decent network within Amman. Well trained staff within PTT, with strong engineering capabilities.
- Egypt       Fiscal environment, fragmented telecom network and almost total requirement for concessionary financing make this a distinctly unpromising market for any sales of consequence.

Many of the companies serving the market were started by engineers from the carriers or major manufacturers who had worked with the Canadian network in mind. The requirement for world class maintenance services between the major cities has also served as a stimulus to product innovation. Canadian companies today provide equipment and/or services which cover nearly every facet of telecommunications.

Canada is particularly strong in the areas of rural telephony, satellite systems, long-haul high capacity data networks, mobile communication systems, digital switching, radio, paging and other plant engineering applications. These talents, combined with the wide range of experiences readily available in the industry, provide an ample technical capability to deal with the varied opportunities encountered in the export market.

**REGIONAL ASSESSMENT**

Almost without exception, each of these represents an extremely limited market unless participating in a development bank or aid project. Canadian companies have displayed a notable lack of interest in the market, beyond those types of projects mentioned earlier. The Department will continue to support marketing activities by Canadian firms which are focused upon such externally funded development projects.

It should be noted that there are incredible needs for telecom in these, and most other, African countries. It must be assumed that the increasing democratization of these countries will eventually result in increased market opportunities for Canadian firms. However, the Department's limited trade development funds would accrue more benefits to Canadian firms if export promotion efforts were directed to markets of more immediate viability for the typical Canadian firm.

**TIER C:** Ivory Coast, Zimbabwe

Morocco Very active market, but with no concentration of export financing

Saudi Arabia Limited success in recent years for Canadian companies. The Kingdom's ambitious plan to add 750K lines has resulted in major marketing efforts by Northern Telecom and others. BCI is also active, with their chances of success bolstered by their seven years of activity in the Kingdom. A Canadian paging system (Glenova) is in place, with expansion of system possible sometime during the next two/three years. A local agent is ineffective, and selection should be made carefully, as a competitor's "chosen one" will probably represent them for as long as they are in the market (Such agreements are very difficult to break).

Israel Interesting market, but one which attracts little focused attention in terms of telecom export promotion. Demarcation between commercial telecom and defence is blurred, making export permits necessary.

Tunisia Good market potential for GATV, switching, microwave, and radio and paging systems, but financing is a necessity.

## CANADIAN COMPETITIVE STRENGTHS:

The manufacturing and services-related companies which comprise the telecommunications sector are both diverse and geographically dispersed. The sector consists of approximately 250 export-ready companies;

- 35% in the Province of Quebec
- 45% in the Province of Ontario
- 15% in the Province of British Columbia
- 5% in the Prairies and Maritimes

With few exceptions, companies in the sector are niche players which were established and grew in response to unique Canadian requirements. Universal, affordable, telephone service is a fact of life in Canada. This service has been provided to a widely dispersed population in a variety of geographic regions, to a uniformly high standard of quality.

Many of the companies serving this market were started by engineers from the carriers or major manufacturers who built products with the Canadian network in mind. The requirement for world class business telecom services between the major cities has also served as a stimulus to product innovation. Canadian companies today provide equipment and/or services which cover nearly every facet of telecommunications.

Canada is particularly strong in the areas of rural telephony, satellite systems, long-haul high capacity data networks, network management systems, digital switching, radio, paging and outside plant engineering/construction. These talents, combined with the wide range of experiences resident within the industry, provide an ample technical capability to deal with the varied opportunities encountered in the export market.

## SECTORAL MARKETING PROBLEMS:

Although concrete figures do not exist, the global telecom market for capital goods is generally conceded to be, at minimum, approximately US\$ 100 Billion. The combined market for goods and services is estimated at \$ 300 Billion, and includes the revenue of operating companies such as Bell Canada and AT&T. Canada's market share is between 3 and 4 percent of the capital market and approximately 4 percent of the combined market. The capital market is projected to grow to more than \$ 300 Billion (200 %) by the end of the decade, and the market for services will grow to be at least \$1 Trillion (400%)!

The global telecom market is best characterized as a market in which nations, not companies, compete eg. Germany Inc., France Inc., Japan, Inc. This is especially true for larger scale projects such as those funded by the World Bank. There is no 'Canada, Inc.' and our companies, especially those pursuing larger projects in several of the Tier B countries, and all Tier C countries, find it difficult to compete with the concessionary terms freely available from other nations.

Several factors have combined in the past two years to challenge the operating environment of Canadian telecom manufacturing companies and carriers attempting to compete in the global market. The major factors influencing this environment are:

- Introduction of the Free Trade Agreement
- Ongoing NAFTA and GATT discussions
- Domestic pressures upon the CRTC to lessen regulation
- Increasing competition in foreign markets

The impact of these changes are not yet fully determined, but impacts are certainly occurring within the industry. Companies are beginning to recognize that their continued survival in a saturated, competitive domestic market requires them to address export markets in a serious, focused fashion. The current domestic economic retrenchment has restricted capital spending by the larger domestic customers, driving most manufacturing companies in the sector to tighten up internal business practices such as product development cycles, marketing strategies and staffing levels. Companies are coming to view exporting as the principal means of business expansion in the current economic climate.

The niche product/market nature of the manufacturing portion of the industry, when combined with saturated domestic markets, fierce off-shore competition, high marketing costs and a weak economy, will almost certainly result in the disappearance, consolidation or foreign acquisition, of many small & medium-sized companies within the sector. Those that remain, however, are more likely to be able to cope with the demands of penetrating international markets. For those companies able to effect the changes required to

successfully compete offshore, aggressive marketing is expected to result in a larger percentage of revenues from exports. For many companies, this represents the best, and in

some cases the only, opportunity for growth.

The environment in which Canadian carriers i.e., Bell Canada operate is beginning to change rapidly, as a result of increasing pressure on several fronts. Competition from resellers, the bypass of Canadian traffic through the U.S., and the deregulation of the long distance monopoly by the CRTC during 1992 create an unsettling environment for established carriers conditioned to operating in a closely regulated domestic market. The carriers, while representing the overwhelming bulk of Canadian telecom market activity, have not been especially active in the export market. Three-quarters of the projected global growth in telecom goods and services will be derived from the provision of services. If the current level of export services by the carriers remain as low as the present, Canada's combined market share may well drop below 1% by the end of the decade, compared to the 3 - 4% enjoyed now.

### INDUSTRY-WIDE CONSULTATIONS

## EXPORT MARKETING STRATEGY:

### 1. FEWER TRADE SHOWS, BUT ON A LARGER SCALE

We must make more effective use of scarce trade development resources by participating (in a major fashion) in only those shows that can demonstrate the power to pull in decision makers from several countries in the region, and by taking more companies than the current norm. In other words, we do fewer events but we do them better. In this same vein, there are indications that solo Canadian shows and Marketplace type events provide a higher return on investment than general trade shows. As there is little possibility of increased funding for trade development, we must begin to concentrate on new approaches which give a better yield for the investment.

### 2. INDUSTRY-ORIENTED MARKET STUDIES

Many Posts have commissioned in-country market studies of telecommunications in recent years. The primary audience for these studies has been government, particularly trade policy and trade development staff. The typical study is replete with government policy directions, economic statistics, political assessments, etc., and is of relatively little value to the typical marketing director in a small to medium-sized company. We shall prepare standardized, concise studies which reflect actual market intelligence, information on hand, and concrete examples of current opportunities for distribution to companies considering entering a foreign market. Such studies will allow the company to compare one market to another within a region, and to compare markets in different regions, before undertaking the expense of marketing.

### 3. INDUSTRY-WIDE CONSULTATIONS

One of the critical aspects of trade development is the necessity to reflect both the capabilities and interests of the sector. This is difficult for the telecom sector, as no specific industry association exists which is clearly constituted to represent the sector. In order to acquire the information necessary to formulate a focused trade development plan for the sector, we will undertake a series of meetings with industry to solicit their views on the effectiveness of our current trade development program(s). A discussion of the various options available to us, working within the fiscal and personnel restraints currently in place, will assist in identifying any feasible changes in our current program.

### 4. PROMOTE INCOMING BUYERS

Intercomm '93, and smaller domestic shows such as that sponsored each year by the Canadian Business Telecommunications Association (CBTA) offer the opportunity to bring foreign buyers into Canada and expose them directly to Canadian suppliers. Both the existing Departmental budgets and CIDA's programs in developing countries offer the possibility of funding such activities. This was done extensively for Intercomm '90 in Vancouver, and was a resounding success in the view of companies which

exhibited at the event. Such events will be exploited in a like manner wherever feasible.

5. CONCENTRATE RESOURCES UPON PRIORITY MARKETS

Although it may be a contentious tenet, we must attempt to focus our trade development activities in support of telecommunications towards those markets which offer at least a reasonable possibility of business for the broad spectrum of Canadian companies. We will not undertake trade activities directed to solely support telecom market development for those countries currently designated as Tier "C".

6. INCREASE IN MISSION FOLLOW-UP AFTER EVENTS

We must establish a formal program to ensure direct follow-up to the companies by either the Post or the sector support division within the Department after a trade show or mission. Quite often, current events overtake such follow-up activities and we seldom identify, in concrete terms, the fiscal return for a trade activity. It will be valuable to compare the longer term results to the immediate expectations of success usually offered by companies at the conclusion of an event as one means of providing with a better grasp of the impact of trade development activities.

7. INCREASE EFFORTS TO FOSTER STRATEGIC PARTNERING

Successful entry to most major markets for Canadian companies will be facilitated by establishing a strong alliance with a domestic partner, who would provide any or all of the following:

- a) Proprietary technology
- b) Distribution channels
- c) Market expertise
- d) Knowledge of standards and regulations
- e) A network of contacts

While many Canadian companies are aware of the benefits of this approach, there is still a significant majority who view entry into a foreign market as requiring only the establishment of a relationship with a distributor or appointment of a local agent. Also, there is concern on the part of many companies regarding the issue of technical transfer of their technology and/or intellectual property issues. While there is no pat

answer available that would apply to the vagaries of all potential markets, we will work with OGD's (as appropriate) to develop and disseminate concise guidelines and advice regarding specific major markets e.g., Thailand, Mexico, Hungary.





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