John Keisling, president and chief executive officer of Cumberland Hardwoods is not your average small-business owner.

At a time when most entrepreneurs remain reluctant to export, Keisling is shipping the hardwood furniture components his firm makes in rural Tennessee to Germany, Great Britain, Italy, Singapore, Taiwan and several other nations...

But Keisling isn’t exporting to Canada.

This isn’t because he doesn’t want to, or because he wouldn’t find customers in Canada. Keisling isn’t selling north of the border because the 15 percent tariff imposed on his products there makes them prohibitively expensive.

But Keisling’s furniture parts and the products made by countless other U.S. businesses could begin crossing the border to Canada if the U.S. Congress and the Canadian Parliament endorse the Canada-US. Free Trade Agreement (CFTA), signed early this year by President Reagan and Prime Minister Brian Mulroney.

The United States and Canada already trade more goods and services than any other two nations. The CFTA would increase that trade $25 billion over five years, beginning Jan. 1, 1989, according to the U.S. Chamber of Commerce, which recently endorsed the agreement.

A study by the Mulroney government concludes that the agreement would increase the gross national product of Canada 7 percent over 10 years. The study also forecasts a 1 percent increase in the United States’ GNP, which is about 10 times larger than Canada’s

“We have not had a more significant bilateral trade negotiation in the past 200 years, and we will not in the next 200 years. It’s a major net plus for both sides,” U.S. Trade Representative Clayton Yeutter said in the opening House hearing on the agreement. In general, the CFTA would:

• Eliminate nontariff barriers such as the import licenses Canada requires for many U.S. agricultural products.
• Eliminate almost all restrictions on investments.
• Allow the “fullest possible” trade in crude oil, natural gas, electricity and other energy products.
• Allow unrestricted trade in about 150 service sectors, including insurance, telecommunications and tourism.
• Allow virtually unrestricted market access to financial-services institutions.

Under the agreement, claims of unfair trade practices and other disputes would be settled through binding arbitration by five-member bilateral panels.

According to Washington folklore, the explosiveness of a piece of legislation can be measured at its first congressional hearing by counting the number of Gucci loafers—the favored footwear of Washington lobbyists—worn by those in the room.

By that standard, tumultuous times lie ahead for the CFTA. Lobbyists packed the House Ways and Means Committee hearing room during Yeutter’s testimony.

Some opposition to the agreement already has surfaced on the U.S. side.

About 20 senators who represent Western states have told the White House they are concerned about provisions that, they argue, preserve Canadian advantages on nonferrous metals, coal, plywood, uranium and wheat. The White House is said to be trying to develop language in the implementation bill that would appease the Western bloc.

And while the U.S. business community generally supports the pact, organized labor opposes the agreement because it fears Americans in import-sensitive industries will lose jobs. Ironically, the same fear exists in Canada.

Opinion polls conducted on both sides of the border early this year find that the American public strongly favors the pact while Canadians are divided. Canadian opponents of the CFTA believe some of their industries could be overrun by American products.

Peter O. Murphy, chief U.S. negotiator on the CFTA, says the pact’s fate lies in the hands of business people in the United States and...
Canada. Opponents are sure to be vocal, he said. Supporters must be just as vocal, or the agreement will be shouted down.

But even under existing trade laws and regulations, many small American businesses export their wares north of the border.

Almost since its founding 60 years ago, W.C. Smith, Inc., a manufacturer of candy-making equipment, has had a problem common among small firms with highly specialized products or services: a limited market.

The Philadelphia-based firm adopted what then was a daring solution for a fledgling business. It began marketing its wares in Canada as well as in the United States.

Today, W.C. Smith, thousands of other U.S. firms of all sizes and their Canadian counterparts ring up more than $125 billion a year in export sales. (For comparison, trade between the United States and Japan is about $88 billion a year, and U.S. trade with the 10 members of the European Community totals about $108 billion annually.)

Sales to Canada have been increasing an average of 9 percent annually during the past five years. In the same period, U.S. sales to all other nations grew only about 0.4 percent a year.

Canadian affairs of the U.S. Chamber of Commerce. He urges U.S. businesses: “Don’t pass up opportunities to meet Canadian needs. The dollar is just as green [there] as it is in the United States and an awful lot easier to make.”

Trade specialists say the factors that attract Americans to Canadian markets are:

- Distance
- Demographics.
- Relative absence of Canadian-government disincentives.

About 90 percent of Canada’s more than 25 million people live near the U.S. border.

“The way our firm looks at it, the United States is just 125 miles wider than most think it is, and it has about 20 million more customers” in that additional area, says Erwin von Allmen, president of W.C. Smith and professor of international management at La Salle University, in Philadelphia. Shipping goods to Canada, von Allmen contends, can actually be less difficult and less costly than sending them to distant areas of the United States.

“Canada usually is the best place to break into exporting because its market, though foreign, is not that strange. Because of similarities in language, tastes, business practices and regulations, [Americans’] wares are likely to appeal to Canadians,” says Ken Fernandez, a senior trade specialist at the U.S. Department of Commerce in Washington.

Donald Businger, commercial attaché to the U.S. Embassy in Ottawa, agrees: “If your product is doing well in the United States, there’s at least a 90 percent chance it will do well in Canada.”

Businger’s optimistic assessment is based not only on consumer similarities but also on policies of the Canadian government.

He says that in Prime Minister

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**Many more U.S. firms will be able to venture profitably into exporting by tapping the strong market in Canada, if legislatures of the two nations approve a pact designed to expand the world’s largest bilateral trade relationship.**

“Canada depends heavily on many imports from U.S. producers,” says Frederick W. Stokeld, director of
Mulroney’s government “there’s a very positive climate . . . for U.S. investment and trade. And Canadian regulations and standards are quite similar to those of the United States.”

Von Allmen contends Canadian regulatory officials actually “are more flexible and exercise more common sense” than their counterparts in the United States.

Though the consensus is that doing business is far easier in Canada than elsewhere abroad, experts are quick to remind American business people that exporting even to a comparatively open market is not for everyone. For example, Canadian duties vary widely by industry and product, and these duties make some U.S. goods—Keisling’s furniture parts, for example—prohibitively expensive.

If you think exporting to Canada would be profitable for you, here are some suggestions for getting started:

• Contact the Commerce Department’s Office of Canada. This office is the source of a wealth of material on everything from Canadian-government procurement opportunities to sources of direct-mail marketing lists. Write the Office of Canada, H3303, U.S. Department of Commerce, Washington, D.C. 20230, or call (202) 377-3101.

• Participate in a trade mission. This is an excellent, low-cost way to evaluate opportunities and make contacts in Canada. The Small Business Administration is leading a mission to Toronto and Montreal soon, as part of its MATCHMAKER program. Call Sheryl J. Swed, director of the office of international trade at the SBA, at (202) 653-7794.

• Consider contracting with an individual or company in Canada to sell your wares, steer them through customs, distribute and service them. From his vantage point in Ottawa, Businger says, “It’s possible, but not easy, to sit back in the United States and simply pump products into Canada.”