

C I N T R A F O R

Working Paper

44

**THE CHALLENGE OF CHANGE,
THE INERTIA OF TRADITION:
A VIEW OF OPPORTUNITIES IN EUROPEAN WOOD MARKETS**

August 1993

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Der Fenstergucker: The Window-looker

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This material is based upon work supported by the Cooperative State Research Service, US Department of Agriculture, and the State of Washington Department of Trade and Economic Development. Any opinions, findings, conclusions, or recommendations expressed in this publication are those of the author(s) and do not necessarily reflect the view of the funding agency.

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EXECUTIVE SUMMARY

The objectives of this study were to identify and characterize high-value wood products manufacturers in Europe, to search for opportunities for possible delivery of North American wood to Europe, and to obtain a basic understanding of the legal resources utilized in typical agreements for US wood exports to Central Europe and Italy.

Five successful European manufacturing firms are briefly characterized as examples of European firms which provide high-quality wood products. All firms profiled used design--structural and aesthetic--as an important way to distinguish their products. Each firm adhered to exacting technical specifications. Several companies were vertically integrated to a greater degree than many North American wood manufacturers.

One market segment, European wood windows, was also examined. This is part of a larger joinery market which is in need of high-quality raw material. While there appear to be opportunities for semi-finished wood products in this area, particularly for laminated frame stock, contacts between European manufacturers and US suppliers are apparently infrequent. The technical specifications required in Europe are demanding and are not necessarily North American. A mechanism for insuring compliance with such specifications is needed to assure that these seemingly mundane, but crucial, aspects of the export transaction are executed.

The European technical education system necessary to support high European technical manufacturing standards is discussed and several schools visited are described. This system appears to be providing a well-trained work force for the high-value wood manufacturing firms in Europe. Currently there appears to be no equivalent training available in the US.

A new waterway for transportation of bulk goods from the North Sea to the Black Sea has just opened in 1992: the Rhine-Main-Danube waterway. This system may offer the possibility of sending containerized semi-finished North American wood products deep into Central Europe.

Since Austria appears to be the emerging legal center for Central European trade, an overview of the Austrian legal system is provided. Profile interviews with legal and

trade professionals in Austria, Hungary, and Italy provide more detailed information about doing business in these countries, and illustrate some socio-cultural requirements for successful legal transactions with European entities. The Europeans' successful use of a form contract developed for wood import-export transactions between Italy, Austria, and Scandinavia is explored, including the possibility for development of such a contract for use in US-European transactions.

At the present time, there is great social, political, and economic upheaval and reform in Europe. Undoubtedly, there are a number of opportunities for North American wood export. European markets are greatly affected by cultural and economic legacies, and these must be considered when searching for business opportunities. The most important lesson learned in this investigation was that Americans who want to do business in Europe must view Europe through European eyes.

ACKNOWLEDGMENTS

Many people provided valuable assistance to the authors during the study. We would like to express our appreciation to a few of the most generous: Dr. Alfred Teischinger, Dr. Manfred Vanek, Professor F. Wassipaul and Joseph Felner of BOKU in Vienna, Austria; Mr. Robert Svec at the US Embassy in Vienna; Dr. Haimo Puschner in Vienna; Dr. Marion Babiak and Dr. Mikulas Supin at the University of Wood Science and Forestry in Zvolen, Slovakia; Dr. Margit Tamasy-Bano at the University of Wood Science and Forestry in Sopron, Hungary; Dr. Luca Uzielli, Dr. Ario Ceccotti, Marco Fioravanti and Martino Negri at the University of Florence, Italy; Mr. Stan Cohen and Ms. Wanda Besozzi at the US Embassy in Milan, Italy, and Mr. Roberto Ligasacchi in Lucca, Italy.

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INTRODUCTION

Picture this: an American professor of wood science, a "Gastprofessor," is having lunch with his colleagues in the wood technology laboratory of a major university in Vienna, Austria. The lunch is prepared and served by the Wood Institute secretary. It is part of her job. On this day, however, good wine and tasty ham are also served, compliments of another lunch guest: the former head laboratory technician, now retired, who occasionally visits the university. The wine is superb; the ham melts in the mouth. Both are produced on farms in the province where the distinguished retired guest lives.

As lunch proceeds, the distinguished guest produces a small block of wood, which is passed around. It has no apparent usefulness, but it is beautifully created. Its sides are incredibly smooth, the curvilinear edges are sharp and the process steps by which the block was manufactured defy analysis. Each person who scrutinizes the block shakes his head in admiration: the senior professor, the assistant professors, the technicians, the Gastprofessor. Finally, one of the assistant professors looks hard at the American and says of the distinguished guest, "Herr _____ is a MEISTER."

In Europe there is still a strong tradition honoring quality craftsmanship. It shows up in society at large, and it is a force in harnessing technology to duplicate or better existing standards.

This anecdote, one of many we acquired during our six-month stay in Austria and Italy, sets the theme for this report. The European wood products market is different from the corresponding market in the United States because it is focused upon and dictated by quality. But "quality," an overused, imprecise term bantered about indiscriminately these days, is a relative concept. Quality in Europe is defined by European tastes and standards which are, in turn, linked to cultural legacies. Even to the most casual observer, the diverse nature of the cultural legacies becomes apparent as one visits various regions only a few kilometers apart. Thus, while it is tempting to speak of the "European Market" as a homogeneous entity, it is in fact very heterogeneous and complicated, though almost uniformly quality driven. On the other hand, the diversity makes it extremely interesting, and full of specific market opportunities.

While many of the opportunities for exporting North American wood to Europe may be exploited through existing export channels and legal arrangements, it is our opinion that there are many more possibilities involving targeted areas. There are sweeping changes occurring in Europe, which will undoubtedly lead to new and unique arrangements for doing business. Yet these changes will be tempered by tradition, which must be understood before these opportunities can be fully realized. This will take time, and it must involve sophisticated approaches to match or exceed European standards and practices.

In all likelihood, combined efforts such as joint ventures will have the greatest chance of success. However, value-added markets will be available in which the supplier provides wood raw material in a form which allows the manufacturer to reduce his cost by eliminating up-front processing. The supplier should be able to obtain more profit per unit item supplied, but arrangements to make this possible will need further development.

Identification of value-added markets must be done by firms who can search for specific markets for their products. Since we are not associated with any commercial enterprise, we took a more general approach in this study. Our goals were to identify firms which manufacture high-quality wood products, to attempt to understand how these manufacturers operate, to explore ways in which North American suppliers might deliver semi-finished products, and to obtain a basic understanding of legal custom and practice in typical transactions between American suppliers and European customers. For the most part, these goals were achieved.

It was found that the "data" acquired following the formal process outlined in the original proposal did not necessarily lead to precisely the types of findings anticipated before the study began. Detailed facts were obtained from preplanned formal interviews with knowledgeable individuals, by attending conferences, and by visiting a number of universities, technical schools, companies, and factories. What became obvious during the study, however, was that the accumulation of facts by itself could not be very meaningful without interpretation within a larger conceptual framework.

A tentative framework emerged more from the informal aspects of the study: chance meetings with friends of colleagues, luncheon discussions at conferences, personal observations of the day-to-day operations in the regional offices visited, and others. An assimilation of this information helped us structure some of the conclusions of the study. Since we explored only two general regions of Europe--Central/Eastern Europe and Northern Italy--the conclusions of this report are necessarily limited in scope. However, some ideas can be generalized, and we hope that these will stimulate creative thinking about delivering North American wood to European customers.

METHOD OF INVESTIGATION

One of the goals of this study was to locate European companies producing high-quality wood products. By observing the operations of these companies, we hoped to find clues to potential opportunities for suppliers of North American wood.

The question facing us prior to the initiation of the study was: *How can we identify these companies?* One of us was a visiting scholar affiliated with the wood science departments of two universities during the course of the study (Institut für Holzforschung, Universität für Bodenkultur [BOKU], Vienna, Austria; and Istituto di Assestamento e Tecnologia Forestale, Università degli Studi di Firenze, Florence, Italy). Connections with these departments proved invaluable in arranging contacts with

industry, trade associations, and government officials. In addition, colleagues at BOKU had recently established ties with their counterparts in wood science departments at universities in former Eastern Block countries. Through these connections, we made contacts with various industrial firms in Hungary and Slovakia (then Czechoslovakia).

It was anticipated that a number of contacts would be made through US Embassy staff and, in fact, a number of contacts were obtained through this channel. The staff was very helpful and interested in the study, although few meetings were arranged through embassy efforts. Lest the wrong impression of embassy staff usefulness be implied here, it should be noted that staff members are inundated by requests for business contacts from a wide spectrum of industrial sectors in the US. The embassy provides very good information for first contacts and a variety of general information about any number of markets in various countries. They do this with limited staff, and they appear to be good at it. They may in fact be the "unsung heroes" of the US effort to increase foreign trade. We learned what any firm must learn before it does business in a foreign country. That is, in order to get more detailed answers to specific questions, the initial contacts must be followed up with another set of people whose knowledge about the topics being pursued is more complete. Again, we found that our colleagues at the universities provided much of this linkage to more detailed information.

Prior to the study, we had made several contacts with people who know how contractual arrangements work in Europe. We interviewed these individuals and others, and gathered resources from legal bookstores, libraries, and other sources.

It was necessary during the course of this investigation to assess the quality of products being manufactured by the European firms. This assessment was clearly a matter of judgment. A number of the firms visited were not what might be considered "high-quality" producers. Whether or not the products being produced were considered high in quality, most firms were generally observing manufacturing criteria stipulated by appropriate product standards. Thus, another source of information about product quality came from interactions with people involved with standards development activities. Faculty at universities in Europe are very active in this arena, along with professionals at research institutes. Discussions were held with members of both groups about the concept of product quality. In particular, interesting observations were made while attending a European wood standards committee meeting (CEN TC 124, WG 1 - Timber Structures - Test Methods) held in Florence, Italy.

A skilled European work force is required to manufacture the high-quality products demanded by European markets. Accordingly, we visited several universities and technical schools offering science and technology curricula.

A list of side trips taken from our base cities of Vienna, Austria, and Florence, Italy, is included in Appendix A, as is a map showing these locations.

FINDINGS

In the first section of this report, brief portraits of five companies producing high-quality wood products are presented. We chose these companies for discussion because we felt they had certain characteristics that were representative of firms producing high-quality products. The second section focuses on a single industrial sector: the wood window market. North American wood flows into this sector in competition with wood from other supply regions throughout the world. Opportunities may exist in this and other sectors to enhance the value of the wood that is supplied to them.

The high-quality products demanded by the European market require a skilled work force. The third section describes technical and university education systems which have been developed to provide human resources. The fourth section describes the recent opening of the Rhine-Main-Danube Waterway, which could impact distribution strategies for delivering wood exports into Central Europe.

We found that in the parts of Europe we visited, business arrangements are often more intimate and informal than in North America. Consequently, legal professionals and written legal contracts often are not utilized in transactions. This aspect of our findings will be covered in the final section, which focuses on the legal aspects of doing business in the countries studied.

Our findings will be discussed in context and briefly summarized at the end of the report. Six specific recommendations setting out ideas for specific future action to increase opportunities for European wood export will conclude the report.

European Manufacturer Profiles:

Successful Manufacturers of High-Quality Wood Products

While it is clear that design is an important component of the wood products manufactured by the firms surveyed, another key to their success appears to be their strategic focus and strong customer orientation. Each of the firms profiled in this report has adopted a competitive strategy based on product differentiation. While the products manufactured by these firms may seem ordinary (*i.e.*, building system components, overlaid particleboard, staircases), each firm has used the elements of design and customer service to create a product that is perceived as being unique by the marketplace. In this way, each of these firms has been successful in differentiating its product from that of its competitor.

By working closely with their customers, successful European firms surveyed were able to tailor a product to fit their customers' needs. As a result, these firms are not only better able to satisfy the needs of the customers, but they have also been able to develop an

advantage over their competitors. This strategic focus has resulted in a spectrum of manufacturing firms specializing in value-added products.

During the course of this project, it was possible to identify characteristics which US exporters of wood products should incorporate into their European export strategies. These factors include:

1. Get to know the customer, identify his needs, and match the exporters' competitive advantages with those needs;
2. Be sensitive to the cultural norms of the country in which business is conducted; and
3. Provide a strong service component to the business relationship.

The above characteristics are of a general nature. In this section, we attempt to provide some details about a few of the many companies visited which produce high-quality products. Our purpose is not to advertise these companies' products, but to examine certain aspects that make them successful.

The Umdasch Company: At renovation construction sites throughout Austria and Italy, bright yellow wood panels, many boldly marked "DOKA," were regularly observed. These appeared to serve a temporary function such as a walkway plank over a ditch, the sides of enclosures holding rubble, *etc.* These panels were composed of a thin wood face and a wood blockboard core.

These boards were also seen at a number of new construction sites, including a new addition to the Vienna airport, a roadway bridge project in central Italy, and a residential site in the suburbs near the Vienna woods. At these locations, these boards were supported by wood I-beams, also bright yellow in color, generally serving as concrete forms or as support. The structural wood components were actually part of wood erection systems. Typically the entire system consisted of wood components connected to an intricate network of connected steel tubing, all supporting various parts of a structure under construction. We discovered that a company in Austria manufactured these yellow panels. In a small town called Amstetten beside the railway line connecting Vienna to Salzburg, there is a large industrial complex. Thousands of tourists travel on this line each year. They undoubtedly see the beautiful cathedral at Melk nestled along the Danube River, but probably take little notice of the several buildings that form the manufacturing site of the Umdasch Company.

If manufacturing were all this company did, however, its story would not be so interesting. The Umdasch Company is not only a manufacturer, it is a "full service" company. It provides complete packages of hardware to general contractors for the erection of structures. The entire erection system is designed and manufactured "from scratch" for each construction project. All the material is purchased in commodity form:

lumber, sheets of steel, generic piping, hardware for fastenings, and so forth. The materials are cut, fit together and delivered to the job site. The general contractor then uses this "erection system" to build the structure. When the structure is completed, Umdasch removes the erection system they provided and resells it for other end-uses. The system might be re-used, for example, on general renovation projects initiated by various localities, private owners, or builders. Thus, "DOKA" boards are seen everywhere.

The Umdasch Company takes pride in the fact that they manufacture very sophisticated and unique systems starting from basic material ingredients. All wood panels and I-beams are manufactured at the Amstetten facility, as well as all the metallic parts. Approximately 5% of all welding done in Austria is done at the Umdasch Company. Thousands of projects are managed each year. Many are relatively small, but some are very large. The showroom at the company's headquarters in Amstetten contains a photographic display of some enormous projects, such as bridges across huge valleys in the Alps, and a futuristic-looking marine control tower in an Arab port. The scale of these projects, as well as the sheer number and variety of the smaller projects, indicates that this vertically integrated company has learned how to manage a very sophisticated business.

Many years ago, however, this company produced only lumber; it was a sawmill. Following World War II, during a period when dams were being constructed on the Danube, the company developed its three-layer panel product to serve as a concrete form for these projects. Evidently, the company was quite successful and eventually grew and transformed itself into its current form. The sawmill was sold, and now lumber is purchased externally, but only if it meets the demanding technical specifications established by the company.

The trademark of the Umdasch wood products is the yellow color. The "DOKA" label comes from an abbreviation on invoices for the original panels that were used in the Danube construction projects: "DOKA" represented the German equivalent of "Danube Construction Authority."

The Umdasch manufacturing facility is very well laid out. It consists of a dozen buildings or so, roughly half of which are devoted to manufacturing wood panels and I-beams. They dry their own lumber in six dry kilns. The facilities are efficiently planned, and they are exceptionally clean and appear to be free of bottlenecks. The equipment, while impressive, did not appear to be overly sophisticated, but seemed to be very well integrated. Long span I-beams, for example, are manufactured using finger-jointed material. The length of finger-jointed segments was quite short compared with North American practices (but not less than 40 cm, as dictated by standards) and the process of joining the segments and attaching them to the middle flanges required a number of steps which clearly could jam the system if the process were not properly engineered.

One building in the complex is devoted to mechanical testing. The facility would be the envy of any civil engineering department of a major university in North America. During our visit, a new product modification had been approved by the German standards authorities. Rubber-like plastic plugs are inserted into the ends of the I-beams to help resist the high shear forces that develop in these products in the field. The company uses DIN (German) certification procedures rather than Austrian. Apparently the approval process for this modification was long, tedious and costly. The company had done a lot of testing, which they must have believed was worth the effort.

Providing structural erection systems is not the only service the Umdasch Company performs. The structural erection aspect is only one division. Another division provides custom-designed hardware for new retail shops. The company calls this the Umdasch Shop Concept. Designers from Umdasch work with commercial customers to achieve an appropriate "look" for the retail shop. All hardware is then manufactured by the company--starting from the basic raw materials--and is delivered to the shop site and installed. The new shop owner then moves in, fills the shelves and starts doing business. This newer division was added to the company to balance the cyclic nature of the construction business. At the time of the visit, there was talk of a possible third division, a tree nursery business, being added to the company.

All of the products manufactured by this company are for specific projects contracted with clients. The projects are managed by teams of engineers with access to modern computerized design systems. The work is done in a new modern corporate headquarters facility that would rival any in North America. In the parking lot is a fleet of company vans. They belong to individual workers who are responsible for organizing car pools. The company is committed to a stable work force and this is one way to ensure labor stability.

The Umdasch Company is an excellent example of a firm committed to providing sophisticated services. It does this, in part, by producing high-quality products. It has deliberately moved away from its sawmilling origins, but still uses vast amounts of wood to provide the services it sells. It combines wood with other materials to satisfy its customers' needs. Demanding performance requirements must be met to manufacture structural systems. Consequently, reliable structural wood raw material is needed by the firm.

While most of the wood utilized by Umdasch is spruce from the surrounding Alps, we noted that a small shipment of lumber was being delivered to the company from Norway. In the testing lab, samples of American oriented strandboard were being tested. Umdasch apparently keeps abreast of developments in structural wood products. It is interesting to speculate whether they could use North American structural wood in their operations.

Team 7 (Company): In the town of Reid, Austria, there is an unassuming new office building. It looks more like a wood-trimmed apartment building than a commercial

office. The building contains a showroom for displaying furniture. The line being displayed during our visit to this establishment was called "Massivholz." Thick solid wood with rounded edges dominated the look, and the color tones were golden with a reddish tinge. The wood was European alder. An entire kitchen ensemble was done in this style. Other matching sets of furniture for the bedroom, living room, children's room, and for outdoors use were also being exhibited. As with many furniture styles, its style--the solid, massive look--may not be appealing to everyone. The targeted customer, however, is not everyone: it is those who are interested in "Natürlich Wohnen" (natural living). A "Bio" logo is stamped on each piece. The company manufacturing this furniture is capitalizing on the "green" movement of Northern Europe, and they appeared to be successful at it.

The company's strategy had three elements: 1) a heavy emphasis on design to differentiate the company's product; 2) the use of a lesser-known wood species, European alder, for raw material rather than wood grown in the Alps (message: "Save the important trees"); and 3) a well-orchestrated marketing and distribution system. The design element was crucial. The line of furniture was exceptionally well coordinated. The use of wood for much of the accessories--handles, rails, hinges, *etc.*--added to the distinctiveness of the product line and complemented the company's image as a socially responsible company using only natural materials.

To maintain distinctiveness, the quality of the products was of utmost importance. Color matching of wood was part of the quality concept, and this was of great concern to the manufacturing facility located a few kilometers from the company sales office. The color of the alder used is particularly sensitive to kiln drying. During the visit, long technical discussions were held between company personnel and the wood scientists touring the company. State-of-the-art dry kilns were being used, but the discoloration problem appeared to be extremely sensitive to temperature and to the length of time the wood was exposed to these temperatures. Clearly, this company was taking advantage of the considerable technical expertise that exists within the country to solve its problems and maintain product quality.

It was also clear that, having pinned their strategy to the use of alder and having grown rather rapidly, the company was in need of more wood than could be supplied locally. It was not obvious during our visit why North American alder would not have suited their purposes.

Whether or not this company will continue to use the same strategies that have made it successful is not clear. What is clear, however, is that design, niche marketing, up-to-date manufacturing and high quality standards, coupled with an overall company image, have allowed this company to prosper over the past decade or so. Demanding standards for the wood supplied to the company are certain to remain part of its operating requirements.

M. Kaindl (Company): As one enters Salzburg, Austria, on the A1 autobahn, the medieval Hohen Salzburg fortress looms on a hilltop overlooking this incredibly beautiful city (Figure 1). The fortress and the Alps provide a dramatic scenic backdrop enticing tourists into this famous town known worldwide for its musical and cultural events. It is a safe bet that not many people notice a particleboard factory on the other side of the A1 just north of the city. It is hidden somewhat by trees, but the most striking feature is the lack of smoke or other visible pollution typically associated with industrial factories of this type. And this facility is not small. The lack of visual evidence of pollution is intentional. This M. Kaindl factory, part of the Kronospan group, has been equipped with a multi-million dollar state-of-the-art electronic filter bed emission control system that was originally pioneered by research faculty at MIT in America. The Salzburg facility, one of several owned by this company, has been retrofit with this new pollution control equipment as part of a company strategy. The company sees itself as a leader in the industry and is willing to comply with the strict regulations dealing with air quality. It will let its competitors moan and groan about the high cost of regulation, says a company spokesman at a meeting in a modernistic conference room; Kaindl will remain a forward-looking, environmentally responsible company.

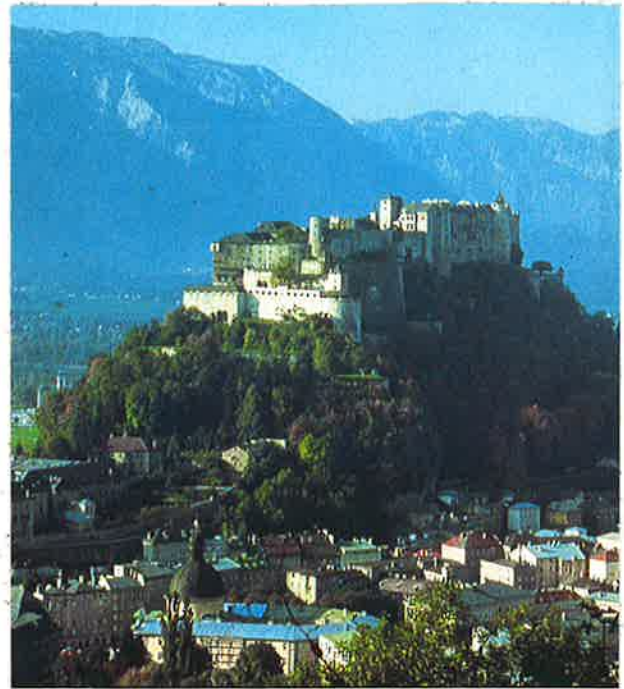


FIGURE 1. The pristine environment of the Alps near Salzburg dictates strong air quality requirements for industry in the region.

And how will the company pay for this expensive air pollution equipment? Through the profits of high-quality value-added products! The company produces a line of high-quality overlay particleboard (Figure 2). In Salzburg, these products are produced on a highly-automated Sempelkamp production line where only a handful of operators in the control room monitor a continuous press process. As much as forty percent of the raw material furnish can be sawdust, but the product still satisfies demanding quality control standards. As with the Umdasch company, if this company simply produced a good commodity particleboard and did nothing else, then it might not be so interesting. It is what happens in another building that is interesting.

The large particleboard panels coming off the production line are transferred to a nearby building where overlay sheets are pressed on the surface of the panels. The building

KRONOSPAN BONDED BOARD	KRONOSPAN AF/L-WORKTOPS	KRONOSPAN FORMING
Chipboard with laminate both sides	High abrasion resistant kitchen worktop	Postformed elements
		
Laminat	Laminat	Laminat
DIN 68 861 Highest quality standard	DIN 68 930 External observation by LGA Nürnberg	DIN 68 861 Highest quality standard
		
Laminate bonded onto the chipboard two sides.	Highly resistant tops for horizontal appliances-kitchen worktops, bars. Surface laminate: high abrasion resistant, reverse: moisture resistant balancer, bottom edge sealed with laquer to avoid ingress of steam (for example from dishwasher).	Postformed elements with radii as from 6 mm and various profile types. Ideal for vertical appliances in the furniture construction and interior decoration.

FIGURE 2. Examples of Kronospan products illustrating the sophisticated overlay surface lamination construction (from M. Kaindl product literature).

contains dozens of huge shelves (about 25m wide), where the overlay sheets are stored. There are nearly 100 different combinations of colors and patterns. The sheets are automatically removed from the shelves, are transferred to the incoming panels, and are sent through hot presses to adhere the sheets onto the particleboard. The overlaid panels are then transferred to a cutting station where they are cut into smaller pieces according to a preprogrammed set of customer order files. Large orders or small, the system is flexible enough to handle them.

M. Kaindl works with its customers to optimize the cutting patterns because the customer purchases the whole panel, waste and all. It is in the customer's best interest to process the panel as efficiently as possible to minimize losses from waste.

The growth strategy of the company was also revealed during a meeting with the company spokesman (Figure 3). It has several manufacturing facilities spread out over Europe. These are well positioned to service strong furniture manufacturing areas. The spokesman mentioned that a facility that might be placed in the Eastern part of the US, but gave no details.

The M. Kaindl company is an impressive organization. It stresses high quality and maintains it through a quality assurance program. It appears to be able to capitalize on an image of an environmentally sensitive company in order to sell more of its product. Combining high-quality products with social responsibility is only made possible because the company uses sophisticated technology.

Ramino (Company): In the wooded hills to the southwest of Vienna, on the edge of the Vienna Woods ("Wienerwald"), there are a number of up-scale housing developments. A typical construction might be thick masonry brick, concrete floors and a roof system consisting of large, spruce roof beams supporting roof tiles. Inside, the walls are typically plastered, painted white, and decorated with golden-colored exposed wood. This is the style of the late 1980's and early 1990's.

Compatible with this style is a spiral wood stairway, custom-made and installed. The stairway, connected to the structural framework of the home, must be fitted exactly. A company that specializes in manufacturing and installing these wood staircases is Ramino (or Ramingforfer Holzwerk, Ges.).

This company is located in Haidershofen, Austria. In addition to stairways, it produces saunas, gun stocks, and laminated cores for skis. Gun stocks have been produced by the company for many years, but are not a large part of overall production.

Austrian companies hold a major market share of world ski production, and Ramino provides a combination wood and plastic ski core for several ski manufacturers. Specifications for the cores are demanding and the arrangement and geometry of different wood species in the laminated core are crucial to the demanding and

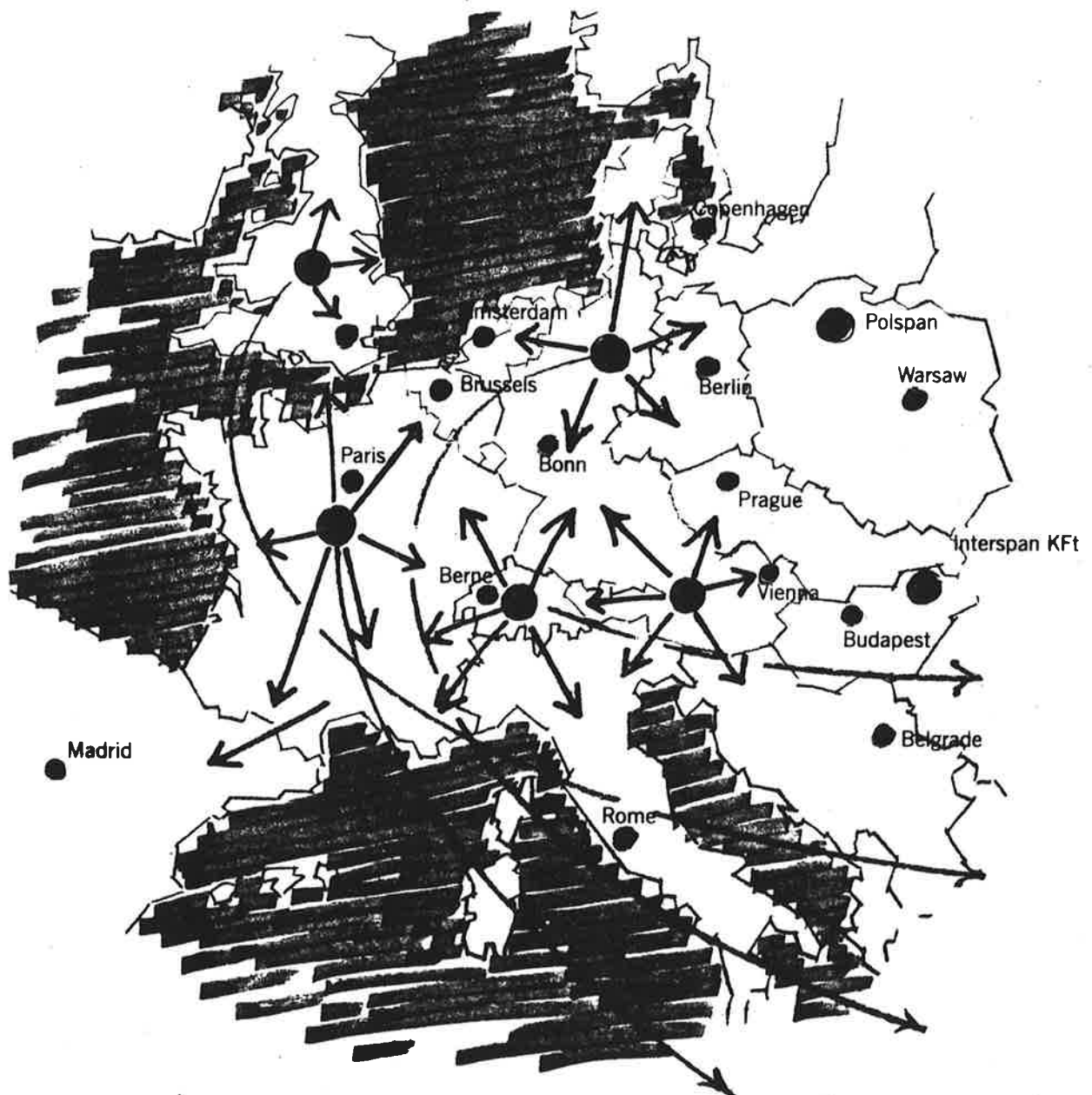


FIGURE 3. Locations of factories of the Kronospan Group, indicating a well-planned distribution system for their products.

sophisticated client--the downhill skier. A number of configurations were noticed during a tour of this company's facility. A small segment of a typical laminated core is shown in Figure 4. Without access to proprietary cost and price data, an accounting of the value-added component brought by the wood used in ski core manufacturing is impossible. It would appear, however, that it is considerable.

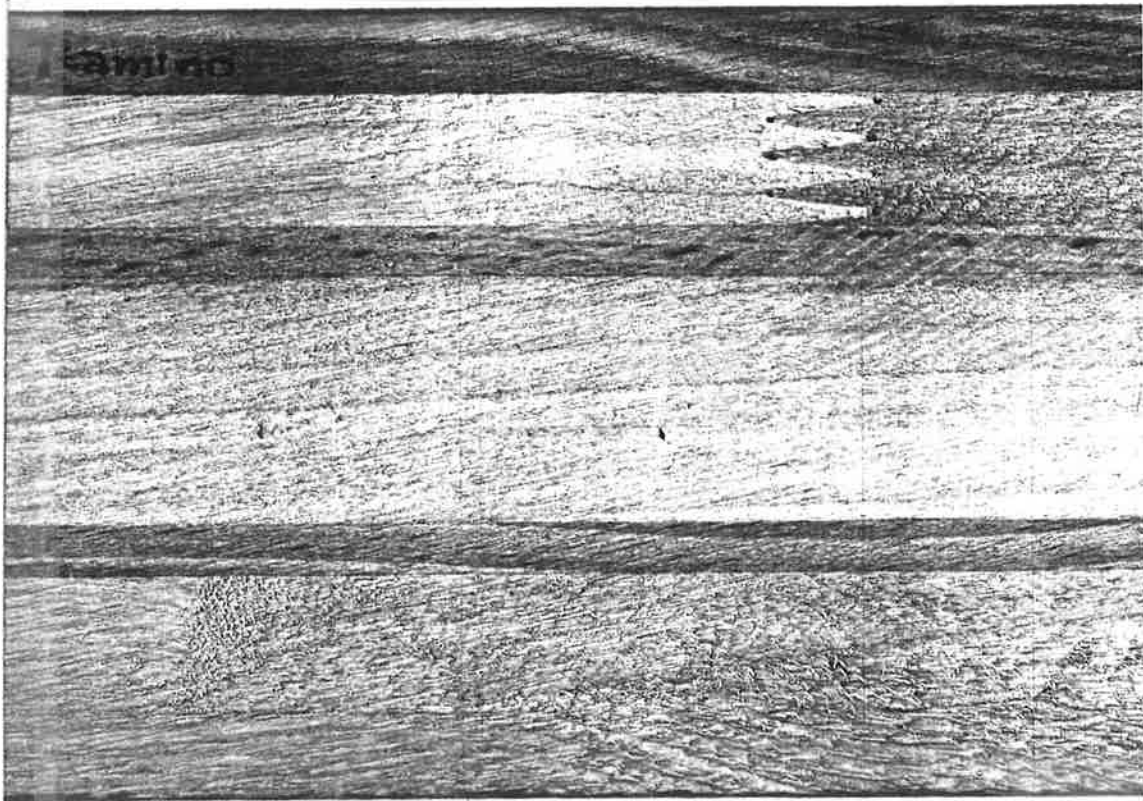


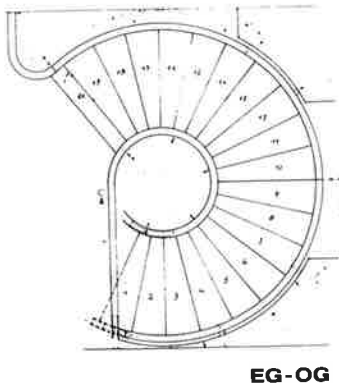
FIGURE 4. Segment of a ski core with different width laminations of several species of finger-jointed wood from Ramino Co.

The major product line of the company is the custom-made staircase. A wide range of style, wood, and finish is available. The company works with each customer to determine the design of the product in the house or commercial building in which it will be installed (see Figure 5 for an example).

Once the general design is finalized, very precise specifications are worked up and sent to the fabrication shop. The individual parts are machined to extremely close tolerances. The shapes--bevels, slants, wedges, fastener cut-outs, *etc.*--are done with computer numerically controlled (CNC) machine tools. The operation of these machines is complicated and requires a skilled work force. Parts are assembled temporarily at the shop to verify that they meet specifications before being delivered to the customer and installed. The level of quality manufacturing and sophistication employed by this company is extraordinary.



In der Bank



EG-OG

FIGURE 5. Example of a spiral staircase manufactured and installed by Ramino.

Holzbau (Company): Cavalese is a small town nestled on a high ridge in the Dolomite alps of Northern Italy. It is a tourist town. During the summer, people living in or visiting the town hike in the cool mountain air. Downhill and cross-country skiing are pursued during the winter.

A large ice hockey arena (a sports palace) is located in the center of the city. It is an oval structure of laminated wood beams, Figure 6. The design is simple and elegant. The basic structural element is a subsystem consisting of three parts: two legs attached to a long beam at one end, forming a small triangle. The other end is attached to a ring at the top of the structure. All the elements rest on the vertex of the small triangle. The project--design, erection and use--has been written up in an Italian architecture journal (Bertoluzza and Pedrotti, 1990). The laminated beams were supplied by Holzbau.

Read the last sentence again: "Laminated beams were supplied by Holzbau." To North American wood products manufacturers, this sentence does not seem unusual. To Italians, it is not untrue; it just does not capture the whole picture.

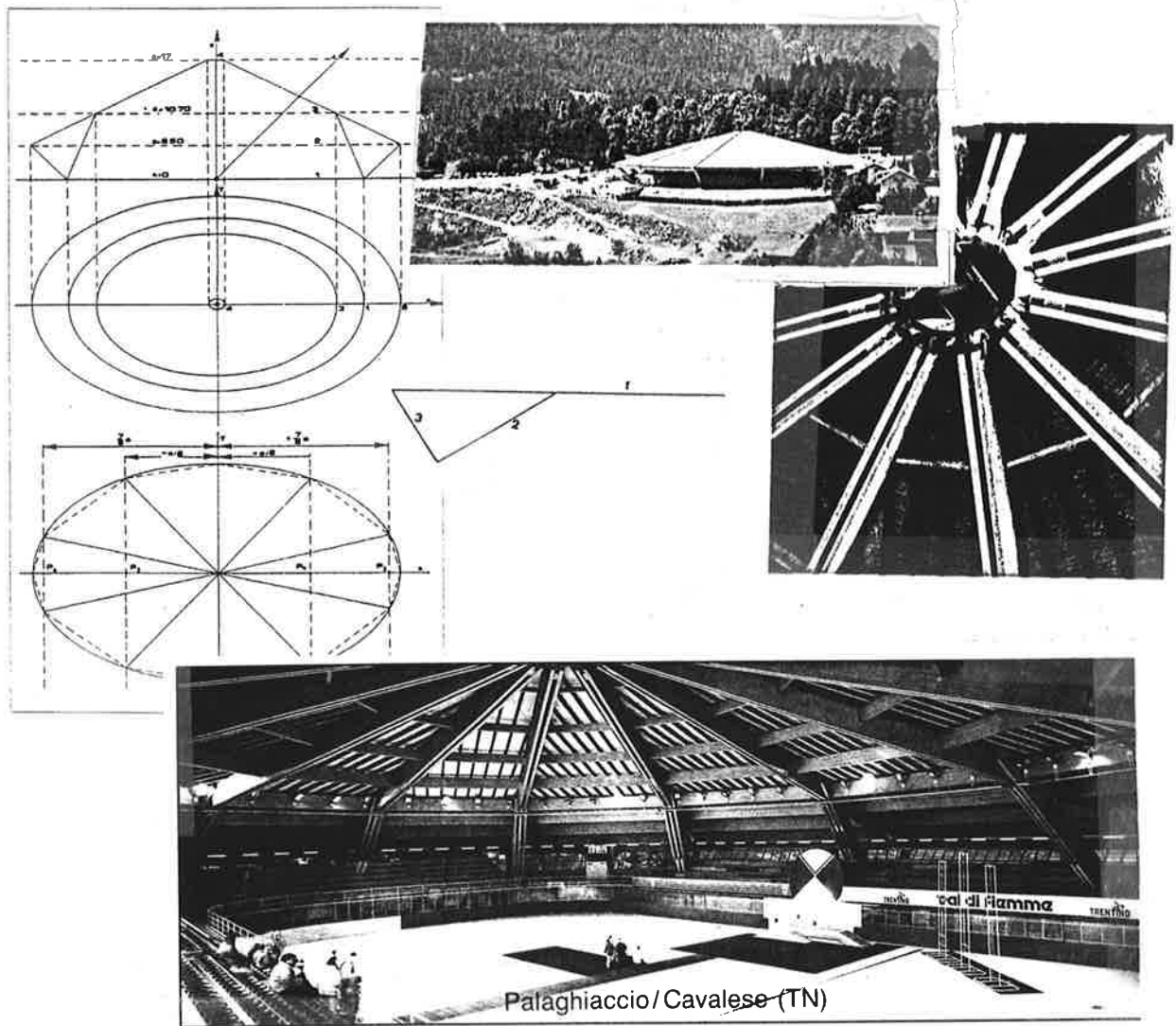


FIGURE 6. Details of a glu-lam ice hockey arena in Northern Italy, illustrating the coordination of design and wood engineering by Holzbau

Holzbau is, in fact, a laminated beam manufacturer, but it is a much more fully-integrated company. It bids on structural projects. It submits a design, manufactures the components, and assumes responsibility for erecting the structure.

The company's headquarters and main manufacturing facilities are located in Bressanone, along the superhighway through the Brenner Pass between Innsbruck, Austria, and Trento, Italy. The facilities are not much different from North American laminated beam factories. Spruce is the predominant wood used in the beams, and German DIN standards are followed.

The project orientation of this company is significant. Throughout Europe, and especially in Italy, one finds great structures: churches, castles, fortresses, and

monasteries. At various stages in history, power was concentrated in different human institutions. The domination of the religious orders and the financial support of their communities enabled the construction of large and ornate churches. Communities competed with one another over the size and beauty of these structures. In a similar manner, influential ruling families dominated certain local regions and spared no expense to erect structures as symbols of their power. In this environment, the skills and creative abilities of the architect were highly valued. The architect also had to be a good engineer.

The legacy of community support for elegant and impressive public structures is alive and well in Europe, although, perhaps, large corporations or powerful family-owned companies have replaced the dominion of aristocratic family-based fiefdoms and churches. But whatever the situation, there survives a desire for building elegant structures. The architect often chooses wood to achieve this look of elegance. Moreover, architecture and engineering seem to be compatible professions. Thus, it is not unusual that laminated beam manufacturers are more integrated operations in Europe than in the US. There is a need, and the human resource skills are available.

By contrast, in North America the concept of producing commodity products for low-bid projects creates pressure for "coming in under-budget and on time," often diminishing the elegance and beauty of the resulting structure.

Eastern European Firms: We chose not to profile any of the Slovakian or Hungarian firms visited during the study. Several were huge complexes built during the time when central planning governments were in power. The technological sophistication found in these complexes was state-of-the-art when constructed. Without adequate maintenance and systematic replacement of worn-out machinery, however, many of these factories are now significantly deteriorated. The huge scale of these complexes almost inhibits the capital investment required to make them functional. Moreover, business management skills required to compete successfully in the sophisticated environment of Western Europe are currently lacking in these countries.

On the other hand, we were impressed by the level of education of the general populace in these countries. This feature of their societies may be an important factor for a rebound from the constraints of the past.

The European Wood Window Market

Several European window manufacturing facilities were visited during our six-month stay in Europe; most made wood windows. Conversations were held with individuals associated with various research institutions which certify compliance with window performance standards. We also attended three wood machinery fairs, in Hanover, Germany, Salzburg, Austria, and Zilina, Slovakia. At these fairs, wood window

manufacturing firms exhibited their products while woodworking machinery firms displayed woodworking equipment for the manufacture of wood window parts. We also attended an Italian conference held in Riccione, Italy, during July, 1991, titled "The First European Meeting on Windows and Doors [Serramentisti]." One of us had made three prior wood-related trips to Italy in the past and has previously visited several high-quality Italian wood window manufacturers. Extensive information gathered from all the activities mentioned above provide a basis for developing a perspective on the wooden window manufacturing segment.

The general concept of a window is interesting. It is instructive, perhaps, to reflect generally on this concept to provide a context for defining the intrinsic value of a window.

A window lets light into a structure, but keeps dreary weather out. If the weather is nice, it can be opened to replace the stuffy interior atmosphere with refreshing new air. Shades or shutters can be added to block the intense radiation of the sun on blistering hot days. The window lets one look out and make observations of the outside world.

In St. Stephen's Cathedral, a major tourist attraction in the central "ring" of old Vienna, underneath a carved stone spiral staircase leading to the pulpit, one finds the famous "Fenstergucker" ("window looker," see title page). Perhaps he is reflecting upon the structure he built from the inside out. Perhaps he is reflecting on the tourists who peer in at him. Perhaps what makes him so attractive is the enigmatic aspect of looking in and looking out. A window is, in fact, an icon for reflection. Not for superfluous reasons did a large computer software company name one of its most successful products by this name.

The concept of a window can also imply action. The space shuttle is hurtled into the heavens within a time interval called a "launch window." Commercial enterprises look for "windows of opportunities." Windows, then, are more than the sum of their parts. Their functionality, as well as perhaps an unconscious psychological need for a "window concept," gives rise to a demand for windows.

In Europe, it seems, the window is held in more esteem than in North America. Consider, for example, the following passage about windows written by Hilaire Belloc in *The Path to Rome* during his travels through France and Italy in the early 1900's.

Never ridicule windows. It is out of windows that many fall to their deaths. By windows love often enters. Through a window went the bolt that killed King Richard. When a mob would rule England, it breaks windows, and when a patriot would save her, he taxes them. Out of windows we walk onto lawns in summer and meet men and women, and in winter windows are drums for the splendid music of storms that makes us feel so masterly round our fires. The windows of the great cathedrals

are all their meaning. But for windows we should have to go out-of-doors to see daylight. After the sun, which they serve, I know nothing so beneficent as windows. Fie upon the ungrateful man that has no window god in his house, and thinks himself too great a philosopher to bow down to windows! May he live in a place without windows for awhile to teach him the value of windows. As for me, I will keep up the high worship of windows 'til I come to the windowless grave.

The window takes on an importance all its own. Perhaps this comes from the legacy of stone dwellings in most of Europe. Openings in the walls of castles, fortress ramparts, and the like were extremely important for defensive purposes, and for allowing in light and air to fill the dark, dank interiors. A dungeon would not be such an awful place if it were punctuated with windows! Whatever the reason, a window in Europe is almost a different entity than it is in North America.

The window in the United States is also an important product, but it is generally viewed in a different context. Americans are mobile. They spend, on the average, seven years in a home before they move. Their houses, generally wood-framed, are typically made of relatively low-cost materials. The window is important for an overall appearance but it is our opinion that low cost is more of a driving force in the American window market than is quality. In the European market, quality seems to be the primary consideration.

In Europe, houses are not constructed from wood as in the US and, except for the roof, little wood is used structurally. Masonry and concrete are used extensively for walls and floors. The house is built "for the first-born son," say the Italians, and they assume that several generations of family will live in it.

Within this context, windows are often designed to match specific projects in Europe. They are often an integral part of the interior design. In fact, for many renovation projects, the interior designer specifies precisely the windows to be used. They are manufactured according to the designer's specifications and delivered to the job site for installation by individuals contracted by the window manufacturer.

Since the cost of energy in Europe is about three times that in the US, energy efficiency there is also of paramount importance. Ministries of construction in each European country have developed strict standards for windows and have set up certification procedures to enforce them. These standards and procedures vary from one country to another. Currently, there is a large ongoing effort to harmonize the various country standards on windows.

Different manufacturing techniques are utilized to accommodate the design variations that exist between countries. Large woodworking machinery companies stress the flexibility of their machines in order to satisfy the various wood window manufacturing requirements.

The point of this discussion is that if a wood supplier is aware of the exacting technical and aesthetic standards for a final product such as a wood window in a European country, and if the supplier were to deliver wood processed and tailored to specifications desired by European wood window manufacturers to meet these consumer preferences, value-added transactions could be achieved.

While differences of opinion do exist between European countries as to what constitutes a high-quality window, there are certain common elements. The first element is the importance placed on design. Many firms hire industrial designers to improve the aesthetic look of a new line of windows, as well as to create windows with greater degrees of mechanical flexibility.

Another common element is the high level of technical performance demanded of the window. Thermal transmission through the window must be low. It must be airtight, and water may not accumulate in the frame which would lead to wood swelling and eventually to decay. Discussions concerning the best profile design for windows by authorities in this field seem endless and are an indication of the importance European manufacturers place on such details.

Finally, marketing of windows is much different in Europe than the US. Generally, the wood window market is much more vertically integrated than in the US. At a small factory in Vienna, a load of wood was observed being sorted at the loading dock for high grade wood. The low grade material was sent back to the sawmill. The windows being produced from this material were only a few for several residential renovation projects. The windows were being tailor-made to fit the customers' needs.

In Italy, a large window manufacturer makes its windows out of Douglas fir. Shipments to building sites are labeled specifically for each window in the structure. The degree of vertical integration places a premium on the trust between manufacturer and raw material supplier. The business relationships appear to be more intimate in Europe than in the more or less "auction" market environment of the US distribution system.

During the course of attending various functions, several inquiries were made to us about where laminated wood for window frames could be obtained in the US. This was a bit surprising, given that a few years prior a number of individuals indicated to one of us that only solid wood, and wood without knots, would be marketable in Italy. But things have changed. The old-growth controversy in the Pacific Northwest and the restrictions placed on tropical wood from various parts of the world have shifted

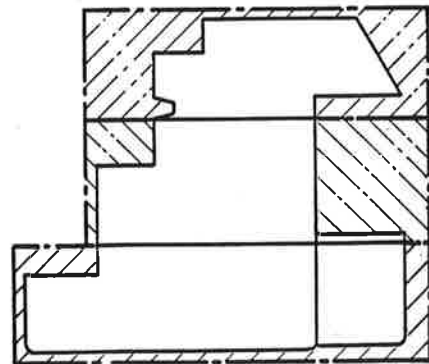


FIGURE 7. An Italian window profile shaped from a blank composed of three laminated slabs of solid wood.

markets and attitudes. Now laminated stock for window profiles (as shown in Figure 7) is being sought. Several companies were already using North American hardwoods, especially white oak.

Clearly, opportunities exist in the wood window market, but on-the-spot intelligence gathering and a willingness to satisfy customer needs different from those in North America are required. In order to be successful in developing a product for the European wooden window market segment, it is important that US manufacturers be willing to make a fairly long-term commitment. Market intelligence is required to gather information on technical specifications. This can be accomplished by developing business relationships with European window manufacturers. Such relationships may best be established by making visits to Europe to tour mill facilities and learn the technical specification requirements of component parts used in window manufacture. It is imperative that the manufacturer provide a high level of customer service to its European customer.

Technical Education in Europe

The production of high-quality products--products such as those manufactured by the companies profiled in this report--requires effective management and a well-trained work force. This elementary fact became obvious as we acquired more extensive knowledge of the firms visited. Where do European firms obtain the human resources, management personnel and skilled labor to produce high-quality products? This question is not easy to answer, of course, and its response varies from country to country. Like training at firms everywhere in the world, European training often is done on the job. Clearly, any successful business enterprise must include in its business strategy a mechanism to learn what is happening in the market and how to teach its employees to respond to these changes. Not all of the required training is done on the job, however.

Schools and universities can and do play a role in providing firms with partially trained employees. Each year these institutions provide a group of freshly educated and trained individuals from which the firm can select and tailor advanced training to satisfy their employee resource needs.

Through visiting five universities and three technical schools during the study, a particular viewpoint emerged as to how various European educational systems meet the needs of firms producing high-quality wood products. We gave special lectures, presented several seminars, and attended panel discussions at a number of conferences. Conversations with faculty, students and practicing wood science and technology professionals at these events, as well as interviews with selected academicians, helped us formulate this point of view. In the following discussion, certain aspects of the European educational system will be examined and compared with our view of the North American system.

At the university level, there is an essential similarity between the goals of wood science or forest products educational programs at US universities and those in European universities. These are: 1) to make individuals aware of the detailed knowledge about wood and the transformation processes required to convert trees into wood products; 2) to train individuals in how to identify, define, and solve problems associated with wood conversion and wood use; 3) to carry out research which adds to the wood knowledge base; and 4) to groom a proportion of students to perform the training and research functions of the future.

While goals may be similar in American and European universities, the methods used to achieve them in the European university are quite different. First, unlike the US student who generally makes a decision late in high school about whether to take a job or continue to college, many European students are required to make an educational "pathway" decision at approximately fourteen or fifteen years of age. A more rigorous technical pathway is available to many students, particularly in German speaking countries, than is available to the student in the US. In the US, the student who enrolls in the university usually spends two years taking general requirements courses. In Europe, more of the general education occurs in the earlier years, thus allowing the students to focus on their chosen specialties earlier in their higher education programs. Therefore, the university graduate in Europe may be at the same technical level as a first or second year graduate student in the US. Consistent with their focus on quality, the European system produces many more technically-trained workers per unit of wood processed than does the US system.

The method of instruction at the European universities visited also differs from the US method. In European universities, specialty areas typically are organized as "Institutes" and are headed by a full professor. The professor's assistants, by and large, run the day-to-day operations of the institute. Students take courses from the assistants, but can only pass the courses by taking oral examinations, one-on-one, with the full professor. The full professor has the discretion to decide who graduates from the program and who does not. The oral examinations, as well as more concentration on specialty areas, may provide European businesses with university graduates who are better trained technically and more able to verbally communicate their technical knowledge than are American university graduates.

At the graduate level, the US system provides some advantages over the European system. In Europe, there are only a few head professor positions for specialty areas such as wood science. Consequently, the competition for these positions is stiff. Individuals who seek an academic's life must spend a long time at a lower rank. Advanced degrees are obtained during the time spent as an assistant to the head professor. It is not especially advantageous for the assistant to obtain an advanced degree from North America or elsewhere, as he or she will give up his or her place in the "queue" to obtain a head professor's position.

In the US, there is more opportunity for those seeking advanced degrees. The university system is much more flexible at the graduate level. All levels of professors work with graduate students, and the duration of graduate training is shorter. The system is geared primarily towards basic or applied research. Thus, in Europe, undergraduates may be better trained to meet the technical manufacturing needs of the industrial sector, while in the US more opportunities exist in the universities or in research centers. We believe that the wood industry in the US probably needs a better trained work force at the manufacturing level than at the research level, and it could learn something from the European model.

It should be mentioned that the position of professor in Europe is held in high regard. Contrast this with the pathetic, absent-minded professor stereotype often held in the US. Many European contacts were apparently fostered by this intrinsic respect for "professor" status.

We believe that the major finding in the educational area was the existence in Europe of an efficient training mechanism in the non-university, technical education area. A technical school, Höhere Technische Lehrner ("HTL"), is operated in Mödling, a village on the outskirts of Vienna where Beethoven once resided. This school provides three- and four-year training programs in many technical areas, one of which is wood technology. Students are between approximately 14 and 18 years of age. Many live in on-campus housing.

The education programs at HTL are specifically designed to meet the needs of the wood industry. The theoretical component of the training is similar to any wood science university curriculum. It also includes foreign language (English), business law, and religion classes.

Training at HTL is particularly thorough in the practical, hands-on area. Sawmilling, machinery, and drying are taught, and another course deals with the operation of computer numerically controlled (CNC) wood machinery equipment.

We believe that there is no equivalent educational program for wood processing in the US. While there are vocational school programs available in some areas, and an occasional associate degree program at the community college level, there are apparently no US programs providing the kind of intense, practical training in wood science which found in European programs.

Perhaps the best of the schools noted for this technical training in wood processing is the Fachhochschule at Rosenheim, Bavaria. Unfortunately, the visit to this school was very brief, and we only obtained a general impression of its importance. However, we learned that hundreds of graduates of this school are now working in high-quality wood manufacturing firms throughout Germany and Austria. Most firms visited in these countries spoke very highly of this school.

A slightly different approach is taken to technical education in wood manufacturing in Italy. For example, a vocational center, the CSR Training Center, is run by the woodworking machinery company SCM. The school is located in Rimini, Italy, near the Adriatic Sea. Students from Italy, as well as from other countries, attend a year-long session. The most advanced SCM machinery is made available for training, and traditional wood technology lectures are given. Support for the school by SCM is not entirely altruistic. SCM develops markets for its technical machinery by training skilled workers on its own equipment. These workers then may encourage the firms who employ them to purchase SCM equipment if they don't already have it.

The Rhine-Main-Danube: A New European Waterway

If new opportunities exist for North American wood, how is the wood to be delivered? A traditional system exists which involves ocean freight to any one of a number of European ports. From these ports, the wood is delivered either to importer storage facilities, to retail outlets, or directly to industrial users by truck. Wood does move around within Europe by rail, but wood initially delivered to ports seems to be delivered to end users mostly by trucks.

While in Vienna, we observed a large amount of river traffic on the Danube ("Donau" in German) River. An advertisement for wood transport on the Danube ("Holz-Transport: Auf der Donau") seen in an Austrian wood journal enticed us to look into the possibilities of this method of transportation for imported wood. Although the inquiry into waterway transportation was limited, an interesting development was uncovered: The Rhine-Main-Danube (RMD) waterway (Figure 8).

In the middle of Bavaria, there is a great continental divide. On one side of this divide, water flows into the Main River, which runs into the great Rhine River and empties into the North Sea at Rotterdam in the Netherlands. On the other side of the divide, water runs into the Danube watershed and eventually winds up in the Black Sea near Bucharest, Romania.

The possibility of linking these two river systems to form a giant waterway connecting the Black Sea to the North Sea has tempted European leaders for centuries. The Emperor Charlemagne, in fact, attempted to build a canal, the Fossa Carolina, in approximately 800 AD. He failed to make any significant progress before abandoning the project altogether.

During the past 70 years, however, a canal has been constructed that connects the Main River at Bamberg to the Danube River at Kelheim in Bavaria. The canal has sixteen locks along its 100-mile span, and the water flow has been harnessed to generate electric power.

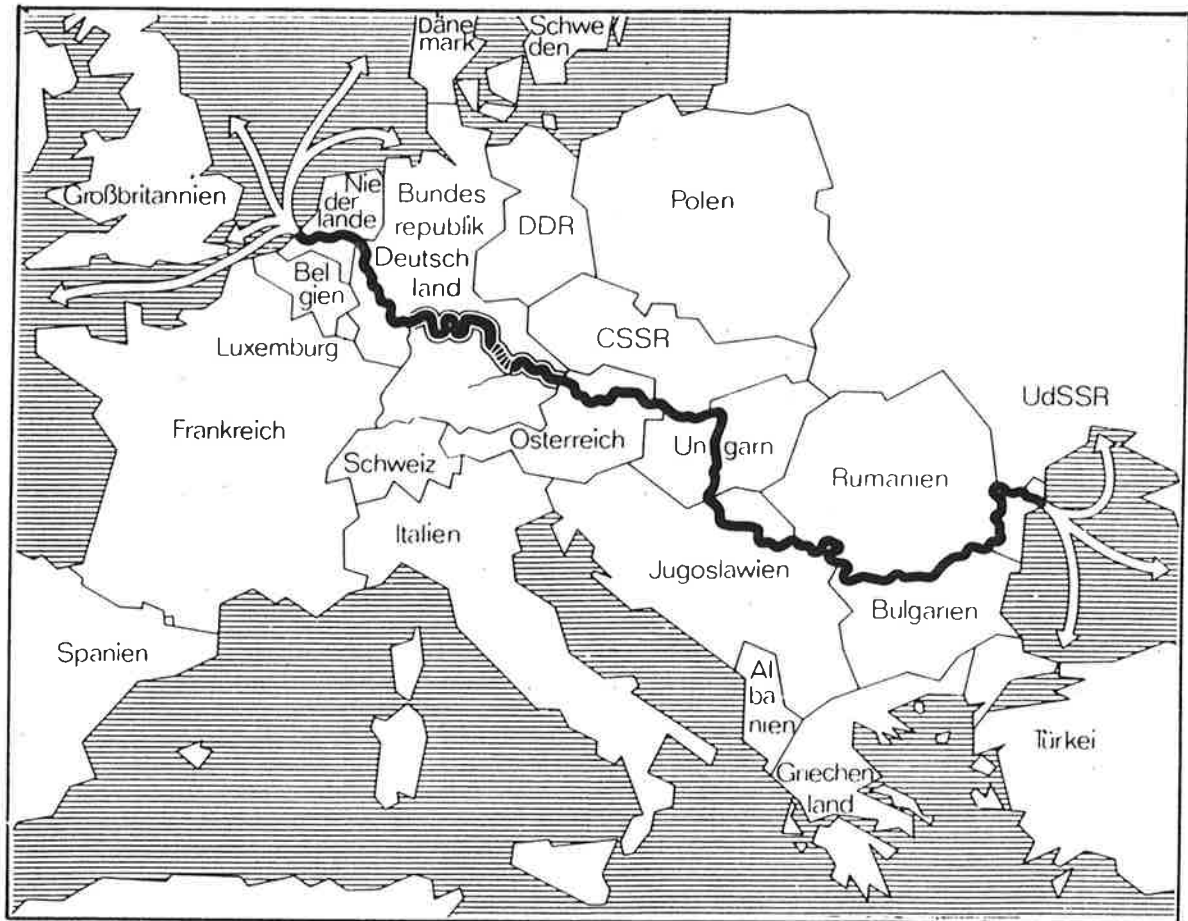
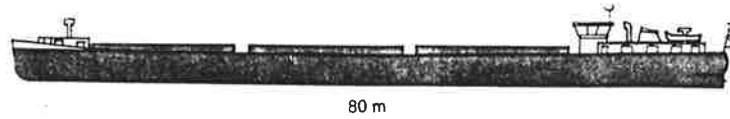


FIGURE 8. The Rhine-Main-Danube (RMD) Waterway.

The RMD has been financed by the German federal government (66%) and by the Bavarian State government (33%), with thirteen private sector firms contributing less than 1%. In September 1992, the last segment was officially opened. With it, Charlemagne's dream of linking the North Sea to the Black Sea has come true. It is now possible to ship goods from Rotterdam deep into Europe along this 2000 mile waterway. Moreover, this new canal system will be linked to an existing European system of nearly 3000 miles. This system already moves 250 million tons of goods per year, amounting to about one-third of all the goods transported through Germany.

Apparently, a great deal of controversy exists over the waterway (see Bryson, 1992, for a review of this project). The canal runs through a scenic area of Bavaria, and there is concern over the additional pollution the canal might bring to the Rhine and Danube Rivers, which are already seriously contaminated (Rich, 1991). In addition, critics claim the project is too expensive for the benefits which might be expected. Proponents state that freight rates are expected to be half those of rail and truck. The rates are predicated on the basis of a balance between the supply and demand of transport capacities, however. Moreover, time in transit of freight may be excessively long, since goods can only be transported one way through the canal during any period of time.

Will this new waterway offer an efficient and less expensive way to move North American wood to many places in Europe? Clearly, it is too early to tell. Chances are that in the short run, existing transportation, namely trucking, will continue to be used for overland wood transport. Rail and truck rates may change over time if the waterway, which is designed primarily for hauling bulk goods, takes market share away from the other modes of transport. If petroleum costs rise, the lower transportation costs of river barge traffic might become attractive enough to outweigh the disadvantages of lengthy transit times.

The implications for transporting wood through Europe stemming from the opening of the RMD waterway deserve closer scrutiny. More information can be obtained from the Rhein-Main-Donau AG, Postfach 40 15 69, 8000 Munchen 40, Germany, or Abteilung Binnenschifffahrt und Wasserstrassen (Federal Ministry of Waterways, Inland Waterways Department), Robert-Schuman Platz 1, 5300 Bonn 2, Germany.

Legal Aspects of Doing Business in Austria, Hungary, and Italy

Introduction and Overview: We set out to ascertain, through research and interviews with legal professionals and others and by survey of legal libraries and bookstores, a somewhat precise "road map" of the legal requirements of a successful European wood export transaction. To do so, we prepared extensive interview outlines and agendas, which we expected to follow with various interviewees. However, it immediately became obvious to us that we had fallen into the very trap against which we now warn potential wood exporters.

American business people must remember that they are doing business with Europeans, not Americans. Therefore, they must be aware of, and defer to, the European social and cultural expectations of the transaction. We have concluded that Europeans often greatly resent the blunt, "straight to business" attitude frequently projected by Americans, including their regular insistence upon keeping business meetings to the strict format and agenda the American has determined to pursue.

Over and over, we heard Europeans complain that Americans with whom they had dealt were often too insistent upon doing things their own way, and too convinced that their way is superior to the European way, regardless of how little they may know about the European business norms. While typical American directness was often found to be refreshing, a dogmatic approach was not welcomed. Successful European transactions are usually completed only when trust and mutual respect are established. This sometimes even requires the participation of a European attorney knowledgeable in local social/cultural protocol to function as a buffer.

After discovering and examining this important theme, we shifted our approach to work within its parameters. Instead of pursuing a specific legal road map (which, indeed, does not exist), we instead attempted to discern what interviewees wanted most to convey, what customs and practices were being followed in the interview itself, and what the interviewee deemed most important in effecting the transaction. As a result, we have extrapolated some general themes, which will be discussed and illustrated by profiling selected interviews with European attorneys, one of whom is an expert in European wood import/export transactions.

Since we found Vienna to be a center for rapidly developing commerce with the former Eastern Block countries, we include a broader description of the Austrian legal system and legal resources than of Italy or Hungary. In addition, we were able to arrange considerably more interviews and found a much greater amount of available legal information and resources in Vienna than in the other countries studied. However, while less was learned generally about the Italian legal system, the profiled Italian interview provided invaluable, specific information about contracts for wood import/export and potential opportunities for utilizing the same type of form contract for US-European transactions which is now successfully utilized in transactions between certain European countries.

The Challenge of Change v. the Grip of Tradition: The same tension between tradition and change so pervasive in the wood products industry is also present in the legal community which serves it. While the European legal community tends to serve its clients pursuant to traditional European style and custom, changes triggered in part by the rapid alternations in the European economic environment and world economic community during the last few years are emerging.

Though interviews occurred only months before the impending 1992 European Community changes, there seemed to be little real attempt to prepare to meet the legal challenges and opportunities ahead. The greater impetus to change seemed to arise from the very recent political and economic changes in Russia and Eastern Europe, some of which took place during the course of study in the summer of 1991. The selected interviews in Austria, Hungary and Italy profiled in this report provide both an historical picture of how lawyers traditionally have been utilized in business transactions in these countries, what an American may expect in approaching a legal transaction there, and an inkling of some of the potential changes and opportunities which lie ahead.

Austria

Overview of the Law and Legal System: Austrian law is based upon a civil or canon law system, unlike the common law system used in America and England. Austrian law attempts to codify all of the applicable rules governing business and society into published law. By contrast, American law is based on both the enacted constitutional and statutory law and on common law principles established over time by the courts in their decisions in cases actually litigated.

The Austrian law governing business operations is contained in the Handelsgesetzbuch (HGB). The HGB was adopted in 1938-39, and except for an interval during World War II, it has remained in effect since that date. The HGB regulates general, limited, and silent partnerships (though there are separate laws for stock corporations and limited liability companies). The HGB also regulates maritime and inland waterway transportation of goods, commercial agents and brokers, and limited partnerships. Rules governing bills of lading, priority of liens against goods, *etc.*, are also contained in the HGB. While its scope is broader than the Uniform Commercial Code (UCC) governing transactions in most states in America, the HGB governs the same types of business transactions and provides similar rules.

While it is beyond the scope of this report to analyze particular provisions of the HGB and how they may apply to potential wood export transactions, it may nonetheless be useful for the potential exporter to know of its existence. If an exporter were to set up a joint venture, partnership or other arrangement with an Austrian entity, the exporter and/or his attorney should be aware of the HGB and certain other aspects of Austrian law. The HGB, along with a range of other legal texts and nontechnical books about doing business in Austria and Eastern Europe, are available in English at the Manz legal bookstore in Vienna.

General Observations: The tradition of "meisterism" found among Austrian craftsmen and in many other aspects of Austrian society also pervades the legal profession. There are no large Austrian law firms, even in Vienna. Most attorneys are sole practitioners, "meisters" of their practice, who do not publicly solicit business nor advertise any services or specialties such as international transactions. However, there has recently

been an explosion of new business--and concurrent need for legal services--in Austria, particularly in Vienna. Vienna appears to be successfully establishing itself as a link to and liaison between the West and East European countries.

This burgeoning new business climate in Vienna has spawned a rash of hastily-published (and apparently not too reliable) books on doing business with Eastern Europe, as well as glossy new periodicals in English such as *Austria Business & Economy*, which touts the business opportunities Austria can offer. The founding editor of this periodical, Dr. Ernst Feistauer was interviewed in Innsbruck, and further interviews were conducted with other staff members of the magazine at their office in Vienna. Included in this magazine is a "yellow-pages" section which provides advertising for business firms. Besides listing Austrian businesses, including furniture manufacturers and wood producers, this section also contains a number of potentially valuable resources whom a potential exporter may wish to contact.

We believe that opportunities arising from the opening of the Eastern Block countries will create some major changes in the Austrian legal community and the services it offers. It is expected that the level of experience of Austrian attorneys specializing in international transactions will increase and accessibility of Austrian legal counsel to assist when necessary in such transactions will improve--ultimately making the process of wood export to Europe easier.

While American business often relies upon legal advice at the outset of a major transaction, or at least during contract negotiations, Austrians seldom use attorneys at all, and then typically only as a last resort. There is significantly less inclination to litigate when contracts fail, and when they do, Austrians often resort to more informal dispute resolution. For example, Austrians often choose arbitration through the Vienna Chamber of Commerce or a specialized trade entity with technical expertise.

When the parties do resort to the courts to resolve disputes, the process is much different than in American courts. The Austrian judge serves a more inquisitorial role. The judge selects the experts who will testify at trial, and the government pays for preparation of the expert report. For example, experts on matters involving wood may be selected from the faculty of the Universität für Bodenkultur in Vienna, or others on the approved government expert list.

Export of Austrian lumber to its neighbor, Italy, has been vastly simplified by the use of a standard contract form, the most recent version of which was ratified by trade associations in both countries in 1986. (See extensive discussion in Italian profile.)

Austrian Profile: Interviews with Vienna Attorneys Dr. Haimo Puschner, Dr. Johann Poigner, and Dr. Martin Sperling: One of us met Drs. Puschner and Poigner initially at an informal reception in Innsbruck. The reception was arranged as part of a tour by a contingent of Seattle attorneys visiting Innsbruck, along with some business

people who were there attempting to arrange a large business deal in Czechoslovakia. The reception also was attended by some local attorneys and business promoters from Innsbruck, Dr. Feistaur and his assistant from *Austria Business and Economy*, and Dr. Roman Zelenay, Deputy Minister of International Relations of the Slovak Republic.

At the Innsbruck reception and subsequent dinner, there was some general discussion of the legal system in Austria, and a considerable number of anecdotes were recited by the attorneys about what it was like to do business with Americans, both attorneys and business people. The universal observation expressed by the Europeans was the frequent American disregard for Austrian expertise and way of doing business, and an American insistence on doing things in a manner predetermined by them to be "superior."

The Innsbruck interviews were followed up by an extended interview at the office of the law firm of Drs. Puschner and Poigner in Vienna, located on the historic Ring street which surrounds the old, inner core of the city. Dr. Puschner and a young attorney, Dr. Martin Sperling (recently hired by the firm as its third member) were interviewed.

This law firm of three members is one of the largest in Vienna. It was expanded in order to provide service to its growing clientele of investors and others doing international business, particularly in newly-accessible East European countries. The attorneys emphasized that small firms do big business in Vienna, unlike the typical situation in America.

The attorneys described the centuries-old historical expertise and knowledgeability of the Viennese concerning Eastern Europe, dating from the Hapsburg dynasty and before. They believe this historical and cultural background makes them an ideal liaison for Americans and others who wish to do business in these countries. They cited the difficulty they have observed when Americans have tried to do business directly--with no foreign language capability and an insistence upon their own superiority. They believe that they provide a valuable service in avoiding these problems, even when such conduct is innocent or unintentional.

Most legal transactions involving Austrians, they stressed, are handled by negotiation between the parties, involving lawyers only if necessary when an agreement is reached or there is a need for special services. Few lawyers in Austria are involved in business negotiations at all (their firm excepted). There are a few other attorneys who specialize in international transactions, but most Austrian attorneys practice primarily penal or family law.

Austrians "just don't approach a lawyer and ask for advice," according to the Viennese attorneys. Many Austrian business managers, perhaps as many as half, have already studied law on their own or at school. Therefore, they are often knowledgeable about legal matters in their business transactions. The attorneys believe it is often easier for the

business person who imports goods simply to use an importer with expertise in importing a particular product, usually obviating the need for legal counsel.

If a contract is made with an Austrian entity, disputes arising from it need not necessarily be resolved in Austrian courts. Alternate dispute resolution, such as mediation or arbitration efforts by a neutral entity such as the Vienna Chamber of Commerce, French Chamber of Commerce in Paris, or Zurich Chamber of Commerce, is often utilized by contracting parties. Provisions of the contract also commonly specify which country's law will be applied in the event of a dispute and where the dispute will be litigated, if necessary. The Austrian authorities respect the decisions of arbitration courts. Contracting parties whose countries are signatories to the Hague Agreement (including the US) may also be governed by its provisions in international disputes.

There is only a small group of attorneys, so far, who do work in Eastern Europe. Some report that this is "terrible work." There is a great deal of uncertainty over what is permitted and what is not, who has authority, *etc.* While there is a definite "European style" of doing business in countries such as Austria or Italy (in contrast with the distinctly different "US style"), there are even greater differences in Eastern Europe. Eastern European attorneys are dealt with only rarely. Few have the expertise needed to assist in the transaction. Foreign "know-how" is needed, according to the Viennese attorneys. In addition, there is a heavy reliance on pre-existing contacts and influence.

Recently, a rash of hastily-written books have been published about how to do business in Eastern Europe. The attorneys believed that these are really "hit and miss" in their accuracy and degree of completeness, and cannot be relied upon. Most are based upon the author's single experience in an Eastern European business deal.

The attorneys emphasized the need to lay aside one's own preconceptions of setting up the deal, and accede to the local culture and custom. They cited an example of a recent deal they had worked on in Poland involving the sale of a paper mill to an American company. With their American client they traveled to Poland and arrived expecting to "get down to business." The first day of arrival was occupied solely by social events arranged for the visitors' benefit. There was no mention of the business at hand. At noon on the second day, they cautiously raised the subject, and were told by their Polish hosts in a polite, vague manner that they would "take it under consideration." After a large meal the next day, they were taken to a hunting lodge where Krushchev once stayed, where they remained for a day and a half. Nothing was said about the prospective business transaction. The American client wished to issue an ultimatum: "We want to invest. Take it or leave it." He was persuaded not to, and the visit finally ended with a small amount of progress towards making the deal. While this example may be extreme, it is not completely atypical of the cultural differences the Austrian attorneys encountered in doing business in Eastern Europe.

Aside from their obvious preference for (and financial interest in) the American's use of a Viennese attorney to assist in negotiation of Eastern European business transactions, the Austrian attorneys did indicate that simple courtesy, appreciation of cultural differences, and a willingness to be flexible will go a long way in creating a successful European transaction.

Hungary

Profile: Interview with Sopron Attorney Dr. Matyas Gyongyi: Dr. Matyas Gyongyi is an attorney who currently works for the University of Forestry and Wood Science in Sopron, Hungary.

If there is one theme which describes the current legal and business environment in Hungary, it is chaos and uncertainty. While Ms. Gyongyi was very proud of the extensive education and training required for Hungarian lawyers, she confessed that she and her legal colleagues simply do not know, and cannot know, what is happening right now, and where Hungarian law stands at the current moment. During the preceding year, a "huge number of new statutes" was passed, along with many more regulations for trade and industry.

Ms. Gyongyi pointed to large stacks of papers in the corner of the room and threw up her hands in dismay. These were the official publications of Hungarian law, the "Magyar Travestyn," detailing the latest laws and regulations passed. She used to receive a few of these per year. In the prior year, however, she received many more documents every week than she formerly did in an entire year.

She mentioned that, at least formerly, a contract required payment to the government and an official government stamp to be effective and binding. Whether that will continue to be true, she could not be certain.

Ms. Gyongyi's description of day-to-day life for most Hungarians was very bleak, and she stated that many were not hopeful of having enough prosperity to do a lot of business in the coming year. She feels that many people are simply waiting for things to stabilize before they can move forward.

Italy

Italian Profile: Interview with Alfonso Francillo of "FEDECOMLEGNO": We interviewed Dr. Alfonso Francillo in Rome during July, 1991. Dr. Francillo is an attorney who has been director of FEDECOMLEGNO, a federation of Italian wood products importers, for many years.

Dr. Francillo's predominant theme was that Americans seeking to import to Italy should "respect the traditional channels of distribution." The traditional flow of materials is from American (or European) producer to exporter, to agent for the American firm, to

Italian importer (members of FEDECOMLEGNO) to distributor or end-user. While he believes that there should be more "respect" between sellers and buyers (*i. e.*, more knowledge of how each works), he believes that major problems are created when exporters sell directly to end-users, thereby bypassing the importers. He feels it is better for the exporter to use an importer agent, who remains directly responsible to the exporter for what happens to his shipment. Semi-finished wood products, he believes, are always shipped through agents. [We learned in another interview that an American wood company with a Rome office had made a deal to export directly to an Italian manufacturer. However, the deal fell through when the products shipped directly to European manufacturer failed to meet its standards.]

Dr. Francillo is responsible, together with Dr. Rolf Teischinger of Austria, for the "Contratto Tipo" or form contract used for import/export of wood between Italy and Austria. A separate form contract was negotiated for use between Italy and Sweden and Finland (see Figures 9 and 10). (Full copies of both documents are provided in the Appendix.) The Austro-Italian form contract was the result of nearly four years of informal discussions and more than two years of meetings between a joint committee of Austrians and Italians. The Scandinavian agreement took ten years to negotiate.

Austria has always been the main supplier of Italian wood. Over the years, many problems arose in negotiation and performance of import/export contracts. Dr. Francillo and Dr. Teischinger and their respective delegations worked very hard to determine the problems that typically arose, and how these could be dealt with at the contract stage. The result of their work was the Contratto Tipo, or form contract, which was first ratified by trade associations in both countries in 1981. The current version was adopted in 1985. It is available in Italian, German, English, and several other languages.

Use of the form contract is voluntary, but most Italian/Austrian importers and exporters apparently choose to use it. It has simplified and provided considerable certainty to the process of contract negotiation and performance. Lawyers typically are not involved in negotiating contracts in Italy, particularly when the form contract is used. The legal work on the form contract was done first in anticipation of potential problems. Delegations from the two countries continue to work out details in and improve the form contract.

Dr. Francillo has not yet expended any efforts towards drafting a standard form contract for use in EC countries after 1992. However, he believes that the existing form contract will provide a useful starting place. Meanwhile, he has considered initiating such a contract with the Czechs.

Potential for a US-Italian Form Contract: Most significant for potential American wood exporters is Dr. Francillo's belief that a similar form contract could be formulated for use in US-European wood transactions. He discussed this possibility with a US trade association representative several years ago, but nothing came of it. Dr. Francillo

CONTRACT FORM "ITALIAWAGGON /85"

Adopted by the Federazione Nazionale dei
Commercianti del Legno e del Sughero, the
Swedish Wood Exporters' Association and the
Finnish Sawmill Owners' Association.

Copyright
Contract No
Date

Buyer Sold to.....
Hereinafter called Buyers, telex number/telegraphic address.....

Seller Bought from
hereinafter called Sellers, telex number/telegraphic address.....
through the agency of.....
telex number/telegraphic address.....

The wood goods of the specification and at the prices set out below subject to the Italia-
waggon general terms and conditions which are adopted by the above mentioned Associa-
tions and known to both parties and herein referred to as the "General Conditions".

Trade terms The price indicated refers to goods loaded on railway waggon, European standard:
A Freight or carriage paid to..... Italian frontier/destination
B F.O.R. station of departure.....
C Delivered at Italian frontier.....
(A—C: delete whichever does not apply)
Alternatives according to INCOTERMS ruling at time of signing of this contract.

Customs clearance Customs clearance for Buyers' account.

Payment I to be made in cash less 2,5 per cent discount of the value F.O.R. station of departure in ex-
change of usual delivery documents by an irrevocable Letter of Credit payable in and con-
firmed by Sellers' bank. The Letter of Credit shall be in Sellers' bank not later than 15 work-
ing days before the contractual time of dispatch from the sawmill.

Payment II to be made net in cash within three working days against presentation of the usual delive-
ry documents in Buyers' bank as stated below.
Payment to be made according to alternative No.

Licence to be obtained before (see clause 9)

Packaged to lengths ☐

Packaged in truck bundles ☐

Packaged to three lengths ☐
(appropriate alternative to be filled in)

Approximate invoice (see clause 7)

Destination

Time of dispatch of the goods from the sawmill.....

Buyers forwarding AgentAddress

Sellers' bankAddress

Buyers' bankAddress

Waggon(s) to be addressed to.....

Type of waggon.....

Station of departure.....

Customs station at the Italian border.....

FIGURE 9. Portion of form contract for wood export used between Italian, Swedish, and Finnish firms.

Bayerischer Holzhandelsverband e.V.
Verband der bayerischen Säge- und Holzindustrie e.V.
Prannerstr. 9/1,
D - 8000 München, 2

Federazione Nazionale
Commercianti Legno
Via Guido d'Arezzo 16
I-00198 Roma

Übereinkommen

betreffend die Verbesserung des Handelsverkehrs mit Schnittholz zwischen Bayern und Italien, abgeschlossen zwischen dem Bayerischer Holzhandelsverband e. V., dem Verband der bayerischen Säge- und Holzindustrie e. V. (BHV) (BSH) und der Federazione Nazionale Commercianti Legno (Fedecomlegno).

Artikel I

Die Vertragspartner werden empfohlen, bei Kaufverträgen über die Lieferung von Schnittholzsortimenten, die in den Sortierungsrichtlinien (Anlage 2) enthalten sind, nach Italien einen Musterschlußbrief gemäß Anlage 1 zu verwenden.

Artikel II

Die von den Vertragspartner vereinbarten Sortierungsrichtlinien für Schnittholzliefereien nach Italien sind in Anlage 2 enthalten.

Artikel III

Die Vertragspartner sind sich einig, daß durch die Anwendung dieser Sortierungsrichtlinien kein Handelsbrauch geschaffen werden soll. Die Sortierungsrichtlinien sind daher bei Expertisen und Schieds gerichtsverfahren nur dann anzuwenden, wenn der Schlußbrief gemäß Artikel I verwendet wurde oder wenn in einer anderen Vertragsform die Anwendung dieser Sortierungsrichtlinien vereinbart wurde.

Artikel IV

(1) Neben den Sortierungsrichtlinien für Schnittholzliefereien nach Italien (Anlage 2) kommt, soweit die Parteien im Schlußbrief (Anlage 1) oder im Vertrag nicht etwas anderes vereinbart haben, Anlage 3 zur Anwendung.

(2) Der Musterschlußbrief (Anlage 1) und das darin vorgesehene Schiedsgericht sollen nur dann verwendet werden, wenn Gegenstand des Geschäftes die in den Sortierungsrichtlinien (Anlage 2) enthaltenen Sortimente sind. (Schiedsklausel: in sämtlichen aus diesem Vertrag entstehenden Streitigkeiten unterwerfen sich beide Vertragsteile mit Ausschluß des ordentlichen Rechtsweges dem Schiedsgericht bei der Kammer für Handel, Industrie, Handwerk und Landwirtschaft in Triest. Dieses Schiedsgericht bleibt dann für weitere Klagen aus diesem Vertrag zuständig).

(3) Die Vertragspartner sind sich einig über die Notwendigkeit eines deutschen Schiedsgerichts zusätzlich zu dem von Triest und legen fest, daß ein solches Verfahren bis zum 31.12.1987 vereinbart und im Musterschlußbrief eingefügt werden muß.

(4) Die Vertragspartner beschließen außerdem, eine kleine gemischte technische Kommission zu bilden, welche weitere Klassifizierungen für Nadel- und Laubholz, geschnitten und rund, festlegen sollen, welche dann dem Musterschlußbrief hinzugefügt sowie Furniere werden.

Artikel V

Der Musterschlußbrief für die Mitglieder der unterzeichnenden Verbände reserviert. Für die Anwendung der in der Vereinbarung angegebenen Normen und für die Unterwerfung unter die Schiedsklausel mit Ausschluß der ordentlichen Rechtswegs ist wesentliche Bedingung die Mitgliedschaft, die aus dem Formular des Musterschlußbriefes (Anlage 1) hervorgehen muß und dort ausdrücklich mit der Unterschrift erklärt wird und auf Verlangen nachgewiesen wird. Das Formular des Musterschlußbriefes soll enthalten: Wiedergabe des Textes vom Artikel V, ein Feld für die Angabe der Mitgliedschaft und eine unbeschriebene Erklärung hierzu mit dem Wappen der unterzeichnenden Verbände.

Artikel VI

Dieses Abkommen wird zunächst auf fünf Jahre geschlossen. Es verlängert sich sodann um jeweils weitere fünf Jahre, wenn nicht einer der beiden Vertragsteile bis spätestens sechs Monate vor Ablauf des Vertrages das Übereinkommen mit eingeschriebenem Brief, telegrafisch oder fernschriftlich aufkündigt.

Die Vertragspartner kommen überein, spätestens nach dem Ablauf von zwei Jahren zu Gesprächen über die Anwendung dieses Übereinkommens in der Praxis zusammenzukommen.

Accordo

relativo al miglioramento del traffico commerciale di segati tra la Baviera e l'Italia stipulato tra il Bayerischen Holzhandelsverband e. V., il Verband der bayerischen Säge- und Holzindustrie e. V. (BHV) (BSH) e la Federazione Nazionale Commercianti Legno (Fedecomlegno).

Articolo I

I contraenti consiglieranno nei contratti di compravendita sulla fornitura di assortimenti di segati, contenuti nelle norme di assortimento (Allegato 2), all'Italia di usare un contratto tipo come da Allegato 1.

Articolo II

Le norme di assortimento per forniture di segati all'Italia concordate dai contraenti sono contenute nell'Allegato 2.

Articolo III

I contraenti sono d'accordo che con l'applicazione di queste norme di assortimento non si debbano costituire usi commerciali. Le norme di assortimento devono essere pertanto applicate in perizie e procedimenti arbitrali soltanto qualora sia stato usato il contratto ai sensi dell'articolo I, oppure qualora si sia convenuta l'applicazione di queste norme di assortimento in altra forma di contratto.

Articolo IV

(1) Oltre alle norme di assortimento per forniture di segati all'Italia (Allegato 2) si applica, per quanto le parti non abbiano preso altri accordi nel contratto (Allegato 1) o nel patto contrattuale, l'Allegato 3.

(2) Il contratto tipo (Allegato 1) e la clausola arbitrale ivi prevista devono essere usati soltanto se l'oggetto dell'affare è costituito dagli assortimenti contenuti nelle norme di assortimento (Allegato 2). (Clausola Arbitrale: In tutte le controversie derivanti da questo contratto entrambe le parti contraenti si assoggettano, con esclusione delle vie legali ordinarie, al Giudizio Arbitrale della Camera di Commercio, Industria, Artigianato e Agricoltura di Trieste. Questo collegio arbitrale resta poi competente per successive azioni in base a questo contratto).

(3) I contraenti concordano sulla necessità di un giudizio arbitrale tedesco in aggiunta a quello di Trieste e stabiliscono che tale procedura debba essere concordata ed inserita nel contratto tipo entro il 31.12.1987.

(4) I contraenti convengono inoltre di istituire una commissione tecnica ristretta mista che procederà a determinare le ulteriori classificazioni di segati e tronchi di conifere e latifoglie nonché di impiallaccature che verranno aggiunte al contratto tipo.

Articolo V

Il contratto tipo è riservato agli Associati delle Associazioni contraenti. Per l'applicazione delle norme richiamate nell'Accordo e per l'assoggettamento alle clausole arbitrali con l'esclusione delle vie legali ordinarie, è condizione essenziale la qualità di Associato che deve risultare nel formulario di contratto tipo (All. 1), ove deve essere espressamente dichiarata contestualmente alla firma, e provata a richiesta; nel formulario del contratto tipo deve essere riportato il contenuto dell'articolo V, una casella che prevede l'indicazione della qualità di associato e la dichiarazione firmata della stessa e saranno riprodotti i marchi delle Associazioni contraenti.

Articolo VI

Questo Accordo viene concluso in un primo tempo per cinque anni, rinnovandosi poi di volta in volta per altri due anni, se una delle due parti contraenti non disdice l'Accordo con lettera raccomandata, telegramma o telexscritto al più tardi sei mesi prima della scadenza del contratto.

I contraenti si accordano di incontrarsi al più tardi dopo il decorso di due anni per discutere sull'applicazione di questo Accordo nella pratica.

FIGURE 10. Portion of form contract ("contratto tipo") for wood export between Italian and Austrian firms.

continues to believe that Italians would like very much to have such a contract for use with US wood exporters.

Potential for US Wood Export to Italy--Need to Exchange Information: Dr. Francillo stated that Americans still are not coming to look at the mills and manufacturing facilities in Italy. Study tours would be extremely useful. Dr. Francillo stated that he is ready to help in setting up such an arrangement.

Dr. Francillo believes there is significant potential for import of wood, particularly hardwoods, for use in the Italian furniture industry. He believes American producers should create a relationship with FEDECOMLEGNO to discuss possibilities for business.

Dr. Francillo explained the structure of the smaller wood products firms in Italy. Small wood products producers are member of the confederation of Artiginati. There are 80,000 such small artisan firms. The Consortium Legno, another organization, belongs to the Artiginati. Manufacturers usually belong to FEDERLEGNO (we also interviewed FEDERLEGNO's Rome office director, Dr. Magni).

Italians may be receptive to the notion of flexible manufacturing. Small and large manufacturers could use semi-finished products. There are also possibilities for joint ventures. Dr. Francillo discussed successful joint ventures with Southeast Asian and Indonesian entities. He mentioned that Italy has no anti-trust laws, and stated he felt this provides an advantage to doing business in Italy.

SUMMARY OF FINDINGS

During the past several years, there have been many changes in the political and economic landscape of Europe. Combined with these developments, there is a growing perception of excessive deforestation, particularly in the tropical regions where European wood products manufacturing firms have traditionally obtained a large percentage of their wood raw materials.

The shifting political and economic environment will undoubtedly lead to opportunities for the US forest products industry. However, the heterogeneous nature of the European continent and strongly-held cultural beliefs make quick changes all but impossible. The opportunities will not be simply seized by zealous North American firms. Rather, a successful venture must be nurtured through efforts designed to build a long-term business relationship based on mutual trust and an effort to understand the needs and preferences of the European wood customer.

It is our opinion that European customers, in general, have a greater respect for craftsmanship and product design than does the average North American customer. This attitude appears to be the result of cultural heritage and values; its form varies from region to region and from country to country. This observation, if correct, would explain

why there is a greater demand for high-quality wood products in Europe. The demand for higher-quality wood products provides an impetus for the adoption of technological innovations, as well as appropriate technical training for the work force in this industry.

If North American firms are to be successful in competing in the European marketplace, they will have to develop an understanding of the product requirements of the European customer. This means meeting precise raw material specifications of the European manufacturer. Opportunities exist for semi-finished products (such as component parts for windows and furniture), provided the North American manufacturer can regularly and reliably deliver a product which satisfies or exceeds the strict technical specifications of the European industry.

Following extensive interviews with European manufacturers in Austria and Italy, we identified a number of factors that should be taken into account by North American manufacturers in order to build successful business relationships in Europe. These include:

- Understanding and respecting the cultural norms of the country in which business is conducted.
- Making use of available market information to identify potential target market segments.
- Taking time to develop a strong relationship with the European customer.
- Working cooperatively with customers to identify their needs and to develop the appropriate product design specifications.
- Providing a strong customer service component to the product offered.

It is important that US manufacturers develop contacts with potential European customers to determine their needs. This can be done by attending trade shows in Europe, by establishing contact with trade officers at US Embassies in Europe, or by contacting state and national trade offices.

The recent opening of the Rhine-Maine-Danube waterway could have a significant impact on both cost and channels of wood products distribution. While it is too early to observe an effect on the market from the 1992 opening of this waterway, it may present some new options for delivering wood into central Europe.

The legal community, particularly in Vienna, is acquiring increasing expertise and availability for consultation concerning transactions in Austria and in developing markets in Eastern Europe. But there are opportunities to bypass some legal costs by developing form contracts for wood import/export, such as those already used between Italy, Austria, and Scandinavia. The potential wood exporter who does deal with attorneys in Europe

should remember, as in dealing with potential European customers, the importance of courtesy, respect and deference to local custom and practice in doing business.

In conclusion, the most important lesson learned in this investigation was that Americans who want to do business in Europe must view European markets through European eyes. American cultural behavior and ideology, while often admired by some Europeans, must be tempered or left at home to effect a successful European export transaction.

RECOMMENDATIONS

We offer the following specific ideas for further activities which we believe could help develop European wood markets:

Study Tours: There is no substitute for direct contact with manufacturers and for observing firsthand how the final products are displayed, purchased, and used. A concerted effort should be made to lead study tours to various regions in Europe. The objective of the tours would be fact-finding. Partial funding should come from government sources. Private sector participants should be required to participate in pre-trip and post-trip meetings to define issues and document findings if they accept partial funding. This information should be accumulated and then shared with the public.

Educational Study: A study of the wood technology educational systems in European countries should be undertaken, with particular emphasis on technical programs such as those offered by Rosenheim in Bavaria. Since we believe that apprenticeship-type training is sorely needed in the US, such programs should be examined in Europe. Such a study may also help to formulate plans for other educational programs tailored to meet the needs of the forest products industry in the US.

Development of a Standard Form Trade Contract: Meetings should be held with Dr. Francillo in Italy or others responsible for drafting and updating the successful form contracts utilized between Italy, Austria, and Scandinavia in wood transactions. While there is no single trade association in America to approve the contract (such as FEDECOMLEGNO's association of importers in Italy), certain trade associations and other professionals could provide valuable input in structuring a form contract for use by US wood exporters in transactions with Italy and other European countries. Such a contract would remove some of the mystique, as well as practical stumbling blocks, inherent in such a transaction for both the exporter and importer.

Transportation Study: A more detailed analysis should be done to understand the costs of transporting wood to various parts of Europe. Can such diverse items as kiln dried lumber, cut stock furniture parts, or even components of manufactured houses be containerized and sent to various locations throughout Europe on the extensive system of waterways? Would such transportation be cheaper than existing forms of transportation? Shipments of wood products to Europe might be undertaken by industry organizations as

experimental studies to investigate the feasibility of using the newly opened RMD waterway.

Student Exchange: An enormous, virtually untapped human resource exists in the form of highly motivated, intelligent students in both Europe and the US. Such students should be encouraged to study outside their home countries. US firms who invest in the education of European students could later establish them as company representatives in their native countries. Of course, the reverse is true for European companies.

Faculty Exchange: Many sources of funding are available for faculty exchanges. Universities should actively seek out opportunities for faculty exchanges. Providing supplemental support for these faculty scholars could result in supporting specific studies to gain more information about important issues associated with European wood products trade.

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APPENDIX

APPENDIX

Trips Taken During the Investigation

Trip *	Destination	Purpose
1	Bratislava/Zvolen, SLOVAKIA	Visit State Forest Products Research Institute (SDVU) in Bratislava, and the Wood Science and Forestry University (VSLD) at Zvolen
2	Sopron, HUNGARY	Visit the Wood Science and Forestry University at Sopron
3	Salzburg, AUSTRIA	Attend Wood Machining Fair (BWS) at the Messezentrum
4	Graz, AUSTRIA	Interview former director of Austrian wood trading association
5	Sopron, HUNGARY	Interview Hungarian attorney and visit window manufacturer
6	Randegg/Amstetten, AUSTRIA	Visit glu-lam manufacturer and Umdasch Company
7	Hanover, GERMANY	Attend LIGNA'91 woodworking fair
8	Linz/Reid/Salzburg, AUSTRIA	Tour facilities of seven Austrian wood manufacturing firms
9	Zilina/Zvolen, SLOVAKIA	Attend Slovakian wood machinery fair and VSLD
10	Triest, ITALY	Attend Italian wood importers' meeting
11	Budapest, HUNGARY	Visit Wood Research Institute and Pulp and Paper Institute
12	Rosenheim, GERMANY	Interview professor at Fachhochschule Rosenheim
13	Riccione, ITALY	Attend wood window conference
14	Rome, ITALY	Interview officials of two Italian trade associations
15	Florence, ITALY	Attend a European wood standards committee meeting
16	Poppi, ITALY	Visit two wood manufacturing facilities
17	Viterbo, ITALY	Visit Wood Science Department at Viterbo University
18	Milan, ITALY	Interview officials at a wood trade association
19	Cavalese, ITALY	Visit a glu-lam manufacturer and sawmill
20	Milan, ITALY	Interview embassy staff

*See map, next page.

