

trapping campaigns have combined with unfavourable currency exchange rates to result in substantial losses to Canadian fur markets there.

In the footwear sector (non-rubber), Canada has a limited competitive range: in 1983 exports accounted for 7 per cent of total Canadian production, or \$47 million. Rubber footwear exports are extremely limited (\$0.5 million in 1983).

The leisure products sector includes commercial printing, publishing, jewellery/silverware/giftware, sporting goods, sound recordings, signs and displays, toys and games, and motion pictures. Of these, significant export volumes have been achieved only in publishing, sporting goods, toys and games, and jewellery/silverware/giftware. Most of this success has been in the U.S. market.

In the furniture sector, the most export-oriented product line is office furniture, where exports in 1984 accounted for almost 40 per cent of production. In household furniture, exports historically accounted for only 6 per cent to 7 per cent of production; however, during the past two years, exports of household furniture have increased by 35 per cent annually. Recent trends in currency exchange rates have improved the access of Canadian products to the U.S. market, and decreased opportunities in the U.K. and other European markets.

Most consumer products are directed to the U.S. market which is generally accessible, although high tariffs in certain sectors (e.g., clothing) remain. Some export success has been possible in other developed, industrialized countries, including Western Europe, Japan, and Australia.

Canadian exporters of consumer products are generally using a number of federal export services, including the Program for Export Market Development (PEMD), the Promotional Projects Program (Fairs and Missions), and market research and support by Canadian posts abroad. The identification of market niches is critical to success in these product areas.

With respect to planned events, the U.S. market will see promotional activity over the coming year in sporting goods, furniture, housewares, and wearing apparel (including jewellery). In Western Europe, books and sporting goods will be featured.

Particularly for the benefit of the smaller firms in this sector, further federal export promotion activities could include: expanded market surveys by posts, export seminars specifically directed to firms in the sector, increased participation in trade fairs abroad, and technical assistance in the formation of export consortia. Such activities would, of course, be welcomed by the industry; they would, however, have to compete with those proposed in other sectors for limited budget resources.

## 9. Defence Programs Sector

The annual production of the Canadian defence industry is approximately \$2.5 billion, of which \$1.5 billion is exported. The largest export market is the U.S., which is characterized by its requirement for high technology equipment, sub-

systems, and components. The overseas defence market is characterized by a larger ratio (than in the U.S.) of sales of complete end items (e.g., aircraft simulators, aircraft engines, radio equipment) and spares rather than components.

The U.S./Canada Defence Production Sharing Agreement means that for U.S. Department of Defense prime and subcontracts to Canada, the "Buy America" requirement and duties are waived. In spite of some other non-tariff barriers in the U.S. — in the form of small business and minority set-asides —, the accessible market in the U.S. for the Canadian defence industry is nearly \$80 billion (U.S.).

Opportunities for joint ventures and transfer of technology are being pursued in the Middle East, East and Southeast Asia, Australia, and New Zealand. For all countries other than the U.S., export permits are required. Increasing demands are being made from most overseas countries for offsets, co-production, and counterpurchase as conditions of sale.

Promotional activities proposals (initiated by DEA Defence Programs Bureau) include:

- participation in "HiTEC 85", the Defence and High Technology Industry Export Conference, March 1985;
- new trade development actions to promote sales of Canadian defence products to the U.S. Department of Defense, instituted as a result of attendance by approximately 4,000 Canadian companies at cross-Canada seminars with D.O.D. Procurement officials in December 1984;
- new defence promotion for Europe, including reciprocal procurement seminars between Canadian suppliers and those of the F.R.G., and other NATO countries;
- publication of catalogues: update the Canadian Defence Products Guide, and prepare a Spanish edition of Canadian Security Products Guide;
- participation in international trade fairs: e.g., Belgium; Paris; Washington; Netherlands; Singapore; etc.;
- outgoing and incoming missions: e.g., California; New England.

## 10. Service Industries

The overall share of services in world trade appears to have remained constant over the past 15 years, at about one-third of merchandise trade. Appeals for liberalization of trade in services, largely led by the U.S., are linked to potential global welfare gains through specialization.

Canada is regarded as a leader in the provision of telecommunications consulting services, and in other areas, including computer services. With particular respect to consulting engineering services, exports have become an increasingly important activity since the 1960s. Work in export markets has increased by almost 20 per cent annually, accounting for approximately 20 per cent of the industry's billings by 1980.