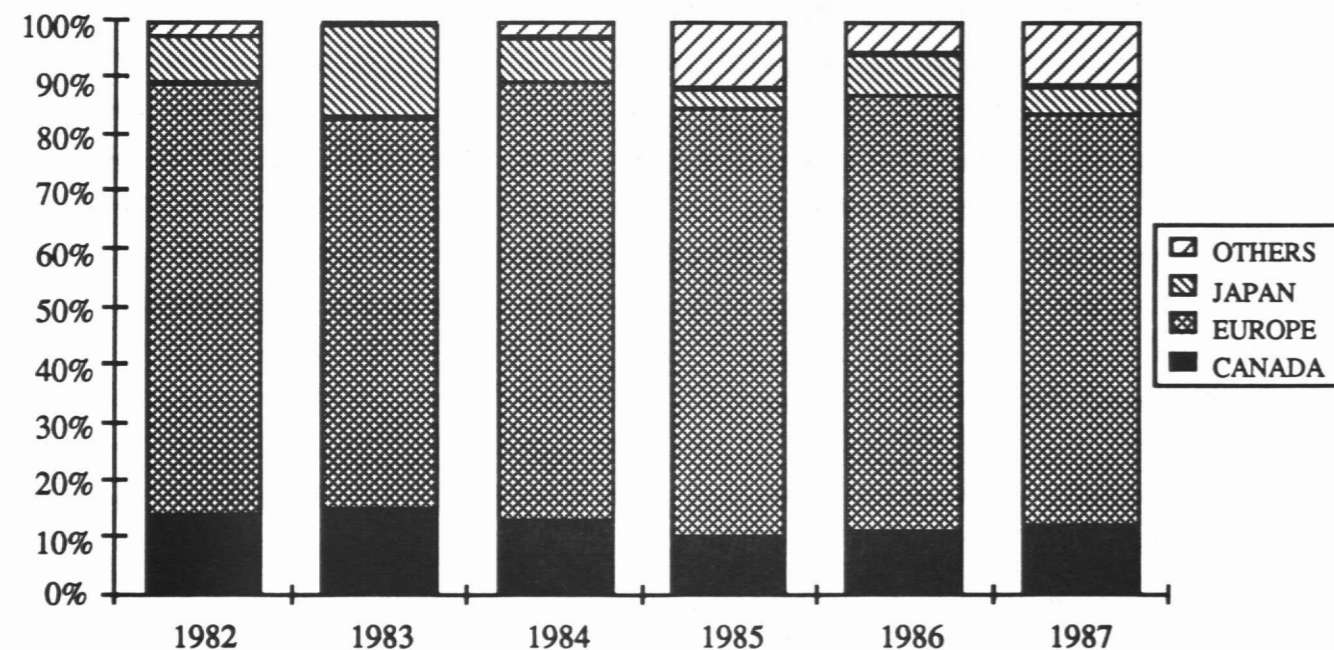


Imports of "machines, nspf, for making and processing cellulosic pulp, paper and paperboard articles" (Schedule A 7252070) dropped to \$127 million (U.S.) in 1987 from a high of \$138 million (U.S.) in 1986. Japanese exports dropped while Canadian and European exports increased. European countries (particularly Germany) dominate this market with an 85% import share. Canadian imports accounted for 7% of the U.S. import market in 1987.

Chart 2, below, illustrates the percentage distribution for 1982-1987 of total U.S. imports of the paper machinery products which are the focus of this study. It is evident that the share of U.S. imports among "other countries" has grown since 1984. The relative shares for Europe and Canada have remained fairly constant since 1985.

CHART 2

PERCENTAGE DISTRIBUTION OF TOTAL U.S. IMPORTS OF SELECTED PAPER MACHINERY



Canadian manufacturers may have further opportunities to increase their penetration of the U.S. market. The ratification of the Free Trade Agreement between Canada and the United States has resulted in the removal of all tariff barriers. For the paper machinery sector, tariffs ranging

from 2% to 4.7% will be phased out by January 1, 1993. For example, the present duty of 2% on machinery for finishing paper or paperboard will be phased out in five equal annual stages commencing January 1, 1989. Some paper machinery is now duty free and will remain duty free; for example, machinery for making paper or paperboard.

A full listing of current U.S. tariffs and the schedule for their removal under the Free Trade Agreement is presented in Appendix 6.

U.S. INDUSTRY OUTLOOK

This section is based on the 1988 U.S. Industrial Outlook published by the USDOC. This information provides a general forecast of short-term prospects and gives an indication of expected trends and developments in the U.S. paper machinery sector. While such information may be of interest, readers should proceed with caution in utilizing the data for the following reasons.

Firstly, although the USDOC is the source of both the "U.S. Imports 1982-87" (summarized above) and the "U.S. Industry Outlook", two different systems of product classification are used. Differences may not be obvious. In some cases, slightly different titles reflect very similar sets of products; in others, similar titles for sectors or product groups encompass a slightly different mix of products. Thus the market forecasts in the "U.S. Industry Outlook" section may cover a slightly different mix of products than the rest of this report.

Secondly, while most sections of the "U.S. Industry Outlook" address the entire sector, others address specific products or product groups. Forecasts made at both levels should be assessed carefully, as they may differ significantly from the prospects of any individual product included within them. It is, therefore, recommended that outlook data be used only as a general indication of sectoral prospects in the near term.

U.S. manufacturers of paper machinery including those producing new and rebuilt wood preparation machinery, pulp and paper mill machinery and paper converting machinery, increased their product shipments by 4.1% to \$1.25 billion (U.S.) in 1987. As long lead times are required for the production and delivery of most types of paper machinery, this increase reflects orders placed 12 to 24 months previously. The U.S. market for paper machinery is largely supported by