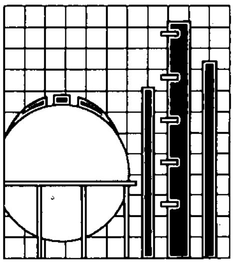
PETROCHEMICALS AND CHEMICALS



With more than two-thirds of its exports going to the United States, Canada's petrochemical industry strongly favors a comprehensive trade agreement. The recent imposition by the U.S. of a discriminatory oil import fee underlines the importance of a secure agreement that will ensure access to the American market.

A trade agreement that addresses the tariff escalation problem would allow the industry to do more processing in Canada before exporting the resources. This would provide better access to the large North American market for these more upgraded products.

The government recognizes that a trade agreement will probably require adjustments in the industry, particularly in some of the more downstream sectors of the chemical industry. Phase-in periods will be built into the agreement to allow firms to restructure their operations and to make new investment.

- The industry employs more than 100,000, of which more than 25,000 jobs are directly tied to the export market.
- The main petrochemical industries are located in Montreal, Sarnia, Ontario, and Alberta. Major chemical producers are concentrated in Ontario and Quebec.
- Exports amount to about 25 per cent of total production, of which two-thirds goes to the U.S., with a value of approximately $3 billion.
- Seventy-five per cent of imports come from the U.S., with a value of approximately $4 billion.
- U.S. firms control about 50 per cent of total Canadian industry assets.
- The industry-weighted tariff average for U.S. imports into Canada is more than 10 per cent, while the average for exports to the U.S. is more than five per cent.
- Canada holds about one-third of the U.S. fertilizer market, where free trade already exists.

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