

**SECTOR:        MACHINERY AND EQUIPMENT**

**1.    Market Opportunity Overviews**

Significant new opportunities for the export of machinery and equipment are expected over the next few years. In particular, exports in such areas as packaging, material handling, oil and gas field equipment, and environmental equipment should be strong, especially in the U.S. market where the broad range of new equipment applications provides an opportunity for Canadian suppliers to specialize in particular segments of the market. Significant market potential for Canadian machinery and equipment has also been identified for Europe (eg. North Sea oil and gas activity), South and South-East Asia (eg. power, pulp and paper), Africa and the Middle East, Australia (oil and gas field and mining equipment) and South America. In addition, Canadian manufacturers of industrial equipment should be in a position to benefit from new market demands resulting from the increased automation of industrial processes being facilitated through the application of micro electronic technology.

**2.    Current Access Constraints**

Developments in the international trading environment can significantly influence the trade performance for this sector. On the positive side, import duties for the U.S. and other major markets are being progressively reduced as a result of the last round of tariff negotiations. In addition, a range of major machinery exports including agricultural machinery, pulp and paper equipment and some heavy metal working equipment has been provided duty-free access to the U.S.

The principal forms of non-tariff barriers having an adverse effect on Canadian machinery and equipment exports include: tied foreign concessional export financing and aid which, in effect, often preclude any significant Canadian participation in large projects; (b) government procurement policies such as U.S. "Buy American" legislation and the policy of European and other countries to simply not consider Canadian or other foreign bids in areas such as power equipment and oil and gas pipeline equipment; and (c) "local content" provisions imposed in certain countries as a condition for Canadian suppliers to obtain contracts and which tend to reduce significantly the volume of equipment shipped from Canada.

**3.    Canadian Export Capabilities**

The varied range of machinery and equipment produced by the Canadian industry falls into three broad capabilities: (a) resource based machinery; (b) plant and industrial machinery; and (c) service industries machinery. In order to remain competitive in markets characterized by a wide range of demands and a large number of suppliers, many machinery companies have gradually reduced the range of machinery products manufactured in Canada, particularly standard types, and concentrated on certain types and sizes of machinery as well as on custom-engineered equipment. Specialization has, in