

As a result of rising prices of imports from many developed countries, it appears that there is opportunity for further growth in Canada's market share of U.S. imports of beauty products. In the event of a Free Trade Agreement between Canada and the United States, these opportunities are expected to increase slightly as a result of the phasing out of existing tariffs. Present tariffs generally range from 4.9% to 5.8%. Under the terms of the Free Trade Agreement, tariff reductions will begin January 1, 1989, and continue in ten equal stages so that all beauty products become duty free on January 1, 1998. A full listing of tariffs is found in Appendix 7.

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. beauty products 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 classifications are used. Differences may not be obvious. In some cases, slightly different titles may reflect very similar sets of products; in others, similar titles for sectors or product groups encompass a slightly different mix of products. Thus, 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.

The U.S. beauty products industry (consisting of cosmetics, toiletries and fragrances) is characterized by a changing corporate structure and by shifts due to demographic variances. Mergers and acquisitions have resulted in the diversification of product lines by U.S. firms. Consolidation of U.S. companies is expected to continue over the next few years, with a smaller