In its *1988 U.S. Industrial Outlook* for the Telephone and Telegraph Equipment and Radio Communication and Detection Equipment sectors, the USDOC concludes that the telecommunications equipment industry has emerged as a dynamic, technologically driven, and highly competitive industry. Spurred by privatization in the United States and continuing advances in product research and development, industry shipments continued the strong gains exhibited through the early 1980s.

The U.S. market, which represents roughly 40% of world demand for telecommunications equipment, has exhibited strong growth since deregulation in 1984. Much of the growth is being satisfied by imports, which are estimated at $2.5 billion (U.S.) in 1987 up 11.1% since 1986. Asian countries supplied 77.1% of the U.S. market in 1986. Japan is the leading single supplier with 47.8% of U.S. imports in 1986. Other Pacific Rim countries with significant market share include Hong Kong, Singapore, South Korea, Taiwan, Indonesia, Malaysia and the Philippines. Canadian manufacturers supplied 12.2% of U.S. imports of telephone and telegraph equipment in 1986 compared to 24.5% in 1981.

The outlook for the telephone and telegraph equipment industry is favourable. The U.S. Department of Commerce forecasts that industry shipments (in constant dollars) will grow by 8% in 1988. The USDOC notes that modernization of telephone company networks, increased sales of specific customer premises equipment such as PBXs, LANs, and data communications equipment purchased to take advantage of new services are factors supporting the rise in industry shipments. Overall, in the next five years, the USDOC expects that growth should average a more moderate 5% (in constant dollars). The USDOC outlook for low technology products such as telephone sets and key systems is less favourable than that for technologically advanced data communication equipment, integrated voice data workstations and protocol converters. It predicts that the fastest growth over this period will be for PBXs and LANs.

The USDOC notes that two factors have continued to spur growth in the industry. They are the conversion of network and line equipment from analog to digital and the development of sophisticated customer premises equipment capable of handling a user's voice and data communications traffic. Expectations for these two product lines, network equipment and Customer Premise Equipment (CPE) are discussed below.