

III. OVERVIEW OF THE U.K. MARKET

OBJECTIVE

The present document is part of a new series of market reports for Canada's priority markets, replacing the previous Export Development Plan series. CANADA'S EXPORT MARKET REPORT ON THE UNITED KINGDOM:

- outlines market opportunities in the U.K. for the Canadian exporter to take advantage of existing opportunities and overcome the constraints to Canadian exports to the U.K.;
- can serve as the basis for co-operation and discussions aimed at enhancing the marketing activities of the federal government, the provinces and the private sector.

THE CANADA-U.K. ENVIRONMENT

Even though the U.K. remains Canada's third largest bilateral trading partner and most important customer in Europe, Canadians must appreciate the reality of the U.K.'s greater involvement in Europe, and intensify efforts to promote effective trading relationships with the U.K.

Canada's preferred access to the U.K. market is a thing of the past. The product and the price must now overcome Common Market tariffs and possibly other trade restrictions and still be competitive with high quality European goods and services which may enter the U.K. on a duty-free basis.

Generally, attitudes toward doing business with Canada are positive but misconceptions of Canada as essentially a supplier of industrial raw materials, forest products and grain are still widely held. Similarly, some Canadians have equated the U.K. with outdated, inefficient industrial processes and are not making themselves aware of the scale of the transformation taking place.

These stereotyped impressions are breaking down and more realism is developing in the relationship. However, the degree and diversity of trade interdependence remains far below potential.

The U.K. has continued to be an important centre for third world countries' transactions because of its strong, world-wide ties in the commercial, political and financial fields. Canadians must be responsive as well to these lucrative opportunities.

CHARACTERISTICS OF THE U.K. MARKET

1. Population and Environmental Characteristics

The United Kingdom (England, Wales, Scotland and Northern Ireland) covers an area of just over 244,000 km². With a population of nearly 56 million, it has a density of 230 people per square kilometre (one of the world's highest). The labour force num-

bers some 26 million — 16 million men, 10 million women — of whom 9 million are employed in manufacturing industries.

The U.K. is under 1,000 km from the south coast to the extreme north of Scotland and 500 km across at the widest point. Transportation facilities and services are excellent with major sea ports in London, Liverpool and Southampton; a railway system between all main cities and towns; probably more kilometres of roadway for its area than any other country and numerous international and domestic airports.

Important population/marketing areas include: Greater London (7 million), West Midlands (2.4 million), Greater Birmingham (2.3 million), Tyneside (Newcastle) (797,000), West Yorkshire (Leeds and Bradford) (1.7 million) and Southeast Lancashire (2.4 million). In England, approximately 4 out of 5 people live in urban or suburban areas, while in Scotland and Wales the number of city dwellers is not so high. In Northern Ireland the proportion living in cities and rural areas is about equal. Population growth has been low at less than 0.5 per cent.

Eighty per cent of the land is developed for agriculture. Major natural resources include: offshore oil (2 million barrels per day — 1982), gas (1.4 million cubic metres) and coal (127 million tonnes — 1982 output).

See Appendix A for further information.

2. Economic*

The U.K. Gross Domestic Product (GDP) in 1982 was £233 billion, thus ranking fifth in size among Western nations, although 23rd in terms of per capita GDP.

The service industries, such as professional, scientific, insurance, banking, finance and distribution account for 60 per cent of GDP, while manufacturing represents 25 per cent. Private industry produces three-quarters of GDP, with the remainder, including most of the energy, steel, transport and communications sectors, under government ownership.

The growth of offshore oil and gas industries, the rapid development of electronic and micro-electronic technologies, and the continuous rise in the service industries have been the most prominent recent trends.

Britain is a trading nation exporting over 30 per cent of its production of goods and services, placing it fourth in world exports (5-6 per cent of the total world exports).

Economic recovery started in mid-1981 and strengthened through 1983 to produce a real increase in GDP close to 3 per cent. The immediate outlook is for continued growth at about the same rate. Over

* Unless otherwise indicated, economic values are expressed in pounds sterling (£) or Canadian dollars (\$). The exchange relationship used herein is that of the average rate for 1983, where \$1.00 Canadian equalled approximately 0.5355 pounds sterling (or 1£ = \$1.87).