

II - CONCLUSIONS OF THE PEAT MARWICK STUDY

The U.S. colours, dyes, paints and varnishes sector is composed of a number of products and product groups. The product group which is the focus of this study is "varnishes, lacquers, distempers, water pigments, stamping foils and dyes". Of the products in this sector, this group represents the largest share of Canadian exports to the United States in 1988. Canada supplied 14.1% of the \$136 million (U.S.) of 1988 imports of this product group. Japan dominates the U.S. import market for this sector.

U.S. shipments of colours, dyes, paints and varnishes for 1988 are estimated at \$11.9 billion (U.S.), up 6.3% from 1987. This represented a decrease in shipments of 2.5% since 1982 (in 1982 constant dollars [U.S.]). However, it is expected that the U.S. market for colours, dyes, paints and varnishes will experience sustained growth over the longer term. U.S. shipments are expected to increase to \$12.1 billion (U.S.) in 1989. Important factors in the long term development of the industry are the demand for specialty coatings, competitive pressures from substitute materials, environmental considerations and developments in the construction and manufacturing industries.

The survey of U.S. importers of the products under review indicated that a majority of the respondents were facing rising costs for their foreign imports due to the devaluation of the U.S. dollar. As a result, the majority (62.5%) of those who had not yet tried Canadian products expressed interest in learning about Canadian sources of supply. Of respondents who would consider sourcing from Canadian manufacturers, only 13% expected to increase their purchases of Canadian products as a result of the Free Trade Agreement between Canada and the United States. The majority of respondents (76.3%) believed that the Free Trade Agreement would not affect their purchases, while about 11% had not yet considered the consequences of the Agreement on their purchasing patterns.

U.S. importers interested in Canadian products said they would prefer to obtain product information through brochures, personal contact by the company or by a manufacturer's representative. The non-availability of the sourced product within the United States was most often reported to be a significant consideration in importers' decisions to source outside the United States. A list of those companies which are generally interested in learning more about Canadian sources of supply of colours, dyes, paints and varnishes has been compiled in Appendix 1.