

I. SUMMARY OF MARKET OPPORTUNITIES

Objective

Canada's Export Market Report to the United Kingdom is intended to assist the Canadian business community to expand its economic relations with the United Kingdom (U.K.), in terms of exports of both goods and services.

This document is a part of the federal government's policy and programs to help Canadian exporters better focus in on Canada's export market opportunities.

Introduction

The British market is Canada's third largest foreign market and our second largest for manufactured goods. In 1983, the U.K. purchased some \$2.5 billion of Canadian products, representing almost 40 per cent of our sales to the whole EEC (European Economic Community) market.

The U.K. continues to hold long-term promise for the Canadian exporter. In common with the rest of the industrialized world, the U.K. has, in recent years, experienced high unemployment, declines in productivity and price competitiveness, plant closures and plant under-utilization, declines in service industry activity, falling exports of manufactured goods and a lack of investment in new plant. There are, however, positive signs that the recovery, already well underway, will be sustained in the U.K., with encouraging prospects for Canadian products over the next two to three years.

This market report contains an optimistic view of the U.K. market and its importance to Canada. Not only is it a very large market, but the distribution of Canadian goods and services which it absorbs includes an impressive proportion of fully finished goods, which in turn enhances its value to all regions of Canada.

Canadian Trade Development Efforts to Date

Despite Britain's economic problems, and the loss of Canada's status as a preferred supplier because of Britain's accession to the EEC, we have continued to do well in the U.K. market.

In 1980, when the pound/dollar exchange rate was 2.72/1, Canada's exports were \$3.2 billion. In 1981, when the ratio was 2.41/1, Canadian exports reached a peak of \$3.3 billion. The year 1982 saw a ratio of 2.15/1 and a decline of about 12 per cent in Canadian exports to \$2.7 billion. In 1983, when the exchange ratio was 1.87/1, exports declined again to \$2.5 billion.

Even with depressed levels of demand, Canada has continued to do well in manufactured goods of all types, particularly high technology products. Approximately 14 per cent of all Canadian exports to the U.K. are now fully manufactured goods.

Opportunities for Canadian suppliers still remain very good, provided that exporters devote the necessary effort to the development of the market.

Future Market Opportunities

With the benefit of past successes, efforts have intensified in identifying other sectors which promise potential for future market expansion or development. There are a great many areas in which Canadian suppliers of goods and services may expect to do well. These include high technology products, in particular computers and associated equipment and services, and telecommunications, including all types of telephone line and exchange attachments and apparatus. Defence procurement is a special category that offers excellent opportunities, especially to companies that can supply highly sophisticated electronics and aerospace components and systems.

Opportunities exist in the general building products area for softwood and hardwood lumber, waferboard, softwood plywood, manufactured wood products and furniture. The U.K. is a most important market for Canadian suppliers of pulp and paper products. Strenuous efforts are being directed toward maintaining our share of the market, particularly for newsprint.

The metals and minerals sector will continue to offer potential for the traditional primary and semi-fabricated products in the non-ferrous sectors, as the economy recovers and prices improve with rising demand. This large and important market for the products of the Canadian mining industry will continue to receive vigorous, dedicated support in Canada and London.

In the secondary manufacturing area, opportunities exist for automotive parts, particularly in the after-market; for printing, packaging, labelling and plastics processing equipment; for certain service industry equipment, particularly in the catering and retail distribution areas; and for equipment and services for the oil and gas industry. In the consumer products area, opportunities exist for leisure products such as sporting goods, sports clothing, footwear, certain giftware, fashion items and textiles.

The agricultural, fish and food products sector is also promising for some types of forage seeds, pulses, livestock, semen and embryos, high quality beef, canned and frozen fish products, frozen corn, fresh apples and some processed foods.

It is anticipated that the U.K. will continue to be the largest overseas source of tourists to Canada. The market is extremely competitive and requires imaginative promotion.

Investment of British origin has contributed in important ways to Canada's development in every major sphere of industrial activity. Contacts between companies interested in licensing agreements or joint venture manufacturing opportunities, either in Canada or the U.K., are facilitated by both federal and provincial offices in Canada and through their respective offices in London. In addition, Britain is a