

orders for equipment rebuilds rather than for new productive capacity, with the former representing 70 to 80% of product shipments. While U.S. firms are enjoying success in securing rebuild orders, the trade deficit is widening as U.S. suppliers have achieved less success in winning orders for new equipment.

In 1987, the U.S. trade deficit in paper machinery grew by 7.4% to approximately \$260 million (U.S.). By contrast, the industry recorded a surplus of \$109 million (U.S.) in 1982. At present, the ratio of imports to exports is approximately two to one. The USDOC attributes the balance of trade reversal to: higher dollar exchange rates that prevailed when some orders with long lead-times were originally placed; lower production costs in other countries; more favourable foreign country financing; and a growing number of foreign manufacturing subsidiaries of U.S. companies. While the zeroing-out of many U.S. paper machinery tariffs under the 1979 Tokyo Round agreement was carried out early in 1987, the expected import surge did not occur. Imports maintained its slow growth.

The USDOC predicted that U.S. industry product shipments would experience continued growth in 1988, although at a modest rate. Shipments were expected to reach \$1,118 million in constant 1982 U.S. dollars, which represents a 3.3% gain over the constant dollar level of \$1,082 million (U.S.) achieved in 1987. The long-term prospects are for continued modest growth in industry shipments and an expanding trade deficit. Product shipments (measured in constant 1982 dollars) are expected to gain 2.5% annually through 1991, although even this modest growth will be dependent on pulp and paper producers' plans for increased capital investment in new and rebuilt U.S. supplied machinery.

This chapter has provided a definition of the products included within the scope of this report, the criteria used for their selection and a summary of U.S. imports of those products for 1982-87. Where available, a short-term outlook for the corresponding U.S. industry has also been provided. As this report is only intended to provide a sectoral overview and an indication of the opportunities that may exist for increased Canadian exports, individual readers are strongly encouraged to conduct more in-depth research on any potential opportunities identified.

Users of this report who are interested in undertaking further research into specific markets are also encouraged to contact any of the Canadian Government

Trade Development offices listed in the final Appendix to this report to determine what assistance may be available to them.