

Canadian manufacturers may have further opportunities to increase their penetration of the U.S. market for these products. The ratification of the Free Trade Agreement between Canada and the United States has resulted in the removal of all tariff barriers. For the colours, dyes, paints and varnishes sector, tariffs ranging from 1.5% to 20% will be eliminated by January 1, 1993. For example, the present duty of 1.8% on paints and varnishes including enamels, lacquers and distempers will be phased out in five equal stages commencing on January 1, 1989. Some colours, dyes, paints and varnishes are now duty free and will remain duty free; for example, colour preparations based on carbon black. A full list of current U.S. tariffs and the schedule for their removal under the Free Trade Agreement is presented in Appendix 4.

U.S. INDUSTRY OUTLOOK

This section is based on the 1989 *U.S. Industrial Outlook* published by the USDOC. This information provides a general forecast of short-term prospects and gives an indication of expected trends and developments in the U.S. colours, dyes, paints and varnishes sector. While such information may be of interest, readers should proceed with caution in utilizing the data for the following reasons.

Firstly, although the USDOC is the source of both the "U.S. Imports 1982-88" (summarized above) and the "U.S. Industry Outlook", two different systems of product classification are used. Differences may not be obvious. In some cases, slightly different titles reflect very similar sets of products; in others, similar titles for sectors or product groups encompass a slightly different mix of products. Thus the market forecasts in the "U.S. Industry Outlook" section may cover a slightly different mix of products than the rest of this report.

Secondly, while most sections of the "U.S. Industry Outlook" address the entire sector, others address specific products or product groups. Forecasts made at both levels should be assessed carefully, as they may differ significantly from the prospects of any individual product included within them. It is therefore recommended that outlook data be used only as a general indication of sectoral prospects in the near term.

The USDOC categorizes paints and coatings into four groups depending on end use. These groups and the end users are the following: