

United States. The increased value of developed country currencies against North American currencies should increase the opportunities for Canadian manufacturers and service suppliers to sell into the United States, and likewise for U.S. manufacturers and service industries to sell into Canada.

## STUDY APPROACH

The overall study approach for analyzing the opportunities for Canadian suppliers to replace European and Japanese imports into the United States started at a fairly high level of product aggregation for all U.S. imports. Through the application of selection criteria, the focus of the analysis was progressively narrowed to those opportunities at the lowest available level of product disaggregation that would most likely result in increased Canadian exports into the U.S. market. The progression also involved moving from the identification of such opportunities, using statistical analysis, to substantiating the opportunities through interviews with representatives of U.S. purchasers of imports from developed countries.

In determining export opportunities for Canadian suppliers, U.S. import statistics were assembled for the years 1981 through to 1985. A five-year time period was chosen in order to distinguish between "established" import markets and "temporary" import markets. Where imports of European and Japanese goods into the United States have had sustained volumes over a period of several years, it is less likely that these imports represent a short-term phenomenon or that U.S. purchasers would be able to quickly change their sourcing to domestic suppliers. For the initial screening, U.S. Schedule A import statistics were compiled at the 4-digit level.

All U.S. imports (at the 4-digit level) from developed countries with import values exceeding one million dollars (U.S.) were identified for the selected years and placed in descending order of value. From this list, the U.S. Trade, Tourism and Investment Development Bureau initially chose 26 for further analysis. Each commodity was broken down into a finer level of classification, the 7-digit level, and an investigation made to determine whether there existed any Canadian firms that produced similar products and could pursue the opportunities which may be uncovered. The expansion of the Schedule A codes from the 4-digit level to the 7-digit level was fairly straightforward, and a listing of these commodities and their import customs value was prepared for 1986. The Canadian firms were identified by accessing the Department of External Affairs' WIN database. This computerized database, accessible at all major posts abroad, contains

information on Canadian manufacturers and the products they produce. It should be noted that although the WIN database is not yet complete, it is sufficiently advanced for the purposes of this study.

From this list, those products or product groupings having combined Japanese, European and Canadian imports of over \$80 million (U.S.) in 1986 were identified for further analysis. Following consultation with industry and government officials with expertise in each sector, other products and product groups which did not meet the above criteria were added to the sector where there appeared to be significant commercial interest to have them included. Some products and product groups were deleted because there was insufficient commercial interest in them.

The next stage in the analysis was to identify major U.S. importers of the commodities selected, to develop a questionnaire and to interview the importers. A questionnaire was designed to determine, for each company contacted:

- What were the major products being imported?
- What were the countries of origin of these imports? What was their level of satisfaction with each of their suppliers?
- Why were domestic products not used?
- What effect did the devaluation of the U.S. dollar have on the price of the imports?
- Were Canadian sources ever used? If so, were they satisfied with Canadian suppliers?
- Would the company be interested in knowing more about Canadian sources of supply?
- How would they like to receive information from Canadian suppliers? What information sources do they use to make purchasing decisions?
- Are there any seasonal patterns in purchasing?
- Do the companies face barriers to sourcing from Canada?
- Will a Free Trade Agreement between Canada and the United States affect their purchasing policy?