

## II - CONCLUSIONS OF THE PEAT MARWICK STUDY

The rubber industry encompasses a wide range of product sectors. Rubber and rubber products are found in tires, hose and belting, footwear, automotive components, plumbing components, household articles and countless other components and finished goods. The products included in this study are: hose, pipe and tubing; belts and belting for machinery; household articles; gaskets; and miscellaneous articles of rubber. These products account for the largest rubber import markets served by developed countries.

U.S. shipments of rubber and rubber products for 1987 reached over \$27 billion (U.S.) (est.) while U.S. imports of the products of concern to this study are estimated at well over \$2 billion (U.S.) in 1987. Market shares in the United States for Europe and Japan in general have declined since 1986, while Canada's market share has increased slightly. The bulk of the declining European and Japanese share, however, has been absorbed by such countries as Taiwan and Hong Kong. The U.S. market for rubber and rubber products is expected to sustain little or no growth for the next five years. Canadian firms, therefore, must replace U.S. imports from other countries in order to achieve a larger volume of exports to the U.S. market.

The survey of U.S. importers of the products under examination indicated that over 80% of the respondents were facing rising costs for their imports due to the devaluation of the U.S. dollar. As a consequence, most expressed interest in looking at Canadian sources of supply as alternatives. In addition, approximately 20% of U.S. importers contacted reported that they would increase their purchases from Canada in the event of a Free Trade Agreement between Canada and the United States. Many U.S. importers, however, had not yet considered the consequences of such an agreement on their purchasing patterns.

U.S. importers interested in Canadian products said they would prefer to obtain product information directly from the Canadian company through brochures and product listings, personal contact or a visit by a representative of the U.S. firm to the Canadian plant. Price and quality were said to be less significant considerations in the importers' decision to source outside the United States than the lack of availability of the product in the United States. A few of the U.S. companies interviewed, however, did import products to supplement their domestic supplies.