

product specialization and standardization. However, in Canada too often manufacturers, in serving the small domestic market, have been unable to benefit from production specialization savings as they produce a wide range of products to maintain reasonable volumes of production. This places the Canadian industry at a disadvantage compared to U.S. manufacturers who serve a large domestic market and therefore can be more selective in their product ranges. The Canadian industry's ability to compete with the U.S. industry is also affected by higher labour, material and transportation costs.

Canadian manufacturers import up to 50 per cent of fabric requirements as well as substantial quantities of lumber, finishing materials and hardware. With the exception of lumber, these carry duties at least as high as the end product and in the case of textiles, they sometimes are higher. In the U.S., materials are almost entirely from domestic sources with the exception of exotic wood species.

b) International Trade Related Factors

Non-tariff barriers are not a significant factor in international trade in furniture products.

Most furniture imported into Canada is classified to one of two main tariff items depending upon the chief component material. The rate for furniture in chief part by value of metal prior to the Tokyo round was 17.5% and will be 12.5% in January 1987. The duty for other furniture, including wood, is being reduced from 20% to 15%. These levels of tariff have protected the Canadian industry against increased competition in the domestic market. Imports of household furniture have never accounted for more than 18% of the Canadian market and in 1983 they represented 15%.

There is currently a shift in the origin of imported furniture. The United States, which accounted for 66% of all Canadian imports in 1976, had its share shrink to 49% in 1983 while imports from Asian countries have grown from 5% in 1976 to 20% in 1983. Western European countries' share of imports into Canada have remained relatively stable at 20 to 30%. The growth of imports from Europe and decrease from the U.S. have coincided with currency exchange rate changes.

This shift in the origin of imported furniture is also indicative of a strengthening Asian industry mostly in Taiwan, South Korea, Singapore and the Philippines. An undetermined quantity of furniture is imported from these countries as components at varying stages of manufacture for assembly and finishing in Canada. Far eastern developing countries are also making inroads into the USA, European and Japanese markets. These exports from Asia to Canada are particularly strong in wooden dining room where they account for over 31% of all Canadian imports in this commodity.

Canadian exports have been directed to the United States in a proportion of about 80% to 90% over the past five years. Although its relative importance decreased slightly from 1978, this country remains by far Canada's main export market. The final rates of duty imposed on Canadian furniture entering the U.S. will range between 2% and 7% as of January 1987.

c) Technological Factors

Until very recent years, furniture manufacturing technology was considered quite mature and advances were marginal and mainly through tool improvement for speed and precision of operation. The advent of digital controlled machines for operations such as automatic stacking, panel cutting and lumber break-out is starting to have a positive impact on some companies which are gradually acquiring this technology. This modern machinery and equipment is available to the industry throughout the world but only larger factories have sufficient production to benefit from the investment required. As a result, Canadian factories in general are not as technically advanced as those in the U.S.