

- the effect of Free Trade on Canada-U.S. trade in colours, dyes, paints and varnishes;
- their opinion on the strengths and weaknesses of the Canadian colours, dyes, paints and varnishes industry.

### **Interview Results**

The AATCC and NDPA believe that the outlook for the industry for the 1990-91 period is promising. The AATCC believes that there will be a modest expansion in the use of colours and dyes. The NDPA noted that although there was a slowdown in consumer buying in 1989, the longer term prospects are good. Sales are likely to increase as it is expected that U.S. exhibitors will increase the exhibition of their products in Canada on account of the reduction of tariffs on U.S. goods. The representative from the NPCA, however, is of the opinion that the industrial outlook is only fair as any increases in profit would most likely come from increased prices and not increased volume.

Two of the associations noted that the devaluation of the U.S. dollar has improved the price competitiveness of U.S. products, and therefore, has stimulated exports of colour and dye products. The representative of the AATCC indicated that as a result of the devaluation of the U.S. dollar, multinational companies with branches in the United States will experience an improvement in their cash flow. While the devaluation of the U.S. dollar may have a positive effect on the colours and dyes industry, the NPCA indicated that there may not be an effect for the paint industry as there is little trade between the two countries in this product.

With respect to the Free Trade Agreement between Canada and the United States, the NDPA felt that the Agreement would be beneficial and that the benefits would accrue to manufacturers in both countries. The NDPA noted that the Canadian market in particular may be more attractive with the reduction of tariffs on goods from the United States. The Association contends, as with the devaluation of the U.S. dollar, that the Free Trade Agreement would have little effect on the paint industry in general because there is not a significant level of trade in this industry and because many U.S. manufacturers have facilities in Canada. However, it was noted that the Agreement may have a greater effect on the specialty, marine, and high-tech coatings sub-groups of the paint industry as these products have accounted for much of the trade in the industry in the recent years.