

# NEW ENGLAND

## NEW ENGLAND A KEY MARKET FOR EASTERN CANADA

*The New England region – which, for the report here, includes Massachusetts, Maine, New Hampshire, Rhode Island, and Vermont – is a popular destination for Canadian exports, primarily from Atlantic Canada and Quebec. In absolute terms, Canada sells 50 per cent more to New England than it buys.*

### NEW ENGLAND ECONOMIC OVERVIEW

New England, during most of the 1980s, witnessed rapid growth, thanks to a booming high-tech industry, expansion in financial services, and increases in defence spending.

The recession during the latter part of the decade saw the region face major defence cuts and a loss of some major manufacturers, the result being that New England emerged at a much slower pace than the country as a whole.

The last few years, using employment as a benchmark, have shown solid improvement, with the unemployment rate dropping from 8.0 per cent in 1992 to 5.9 per cent in 1994. This can be attributed primarily to the strength of the non-manufacturing sector, especially business services. (Major job losses in defence, health care (caused by consolidation) and particularly manufacturing, have never really been recouped.)

New England's employment growth in all sectors is predicted to be steady during the next four years, with unemployment falling to 5.4 per cent by 1998. Employment is forecast to continue growing annually, but at a slower rate than the current 2 per cent.

New England is pulling aggressively out of a prolonged recession and faces a future of moderate growth backed by impressive indicators, one being an 8 per cent increase in personal income since 1991.

### NEW ENGLAND - CANADA TRADE PROFILE

Trade between Canada and New England is on the rise, reflecting both the Canadian exchange rate advantage and the buoyancy of the New England economy.

The region accounts for only 6.6 per cent of the overall bilateral relationship. But this is by no means insignificant, given the fact that New England is not part of the auto trade network.

More than 70 per cent of all exports from Atlantic Canada go to the New England market. Quebec also counts on the region as one of its key markets, building on the solid ties forged by the more than 700,000 New Englanders of "French Canadian" ancestry.

Statistics confirm that the growth of trade is much closer on the New England-to-Canada level than the bi-national level, with Canadian exports to New England increasing by 13 per cent between 1993 and 1994 and imports from New England increasing by 14 per cent.

In absolute terms, however, Canada sells 50 per cent more to New England than it buys. In terms of content, the sophistication of the top three Canadian exports (telecommunications products, office machines, petroleum products) and the top three Canadian imports (electronic tubes & semiconductors, electronic computers, aircraft engines & parts) reflect the advanced, value-added characteristics of the trading relationship.

### NEW ENGLAND - CANADA INVESTMENT RELATIONS

Over the years, New England and Canada have enjoyed a very active reciprocal investment relationship. Seventy-two Canadian firms have offices or plants in New England. These range from Fisheries Products International, Cognos, Mitel Corp., and McCain Foods, to Québecor, Bombardier Inc., John Labatt, and Pharmacies Jean Coutu.

The largest Canadian investment in the past year was made by Pharmacies Jean Coutu. It bought 221 Brooks Drugstore outlets in New England, positioning itself as New England's number two pharmaceutical chain.

New England investment (95 offices or plants) in Canada is equally impressive, with among the better known names ranging from Raytheon, Digital, and Data General, to Gillette, John Hancock Insurance, Staples Inc., and Spalding Sports.

Digital ranks among the most celebrated of New England investments in Canada. The company made a landmark decision in 1992, designating Kanata, Ontario as the manufacturing site for its new line of PCs for the North American market. Kanata won this competition against U.S. and Mexican proposals.

This coincided with the company's first venture in the microcomputer market, returning it to a profitable situation in the last quarter after consecutive losses since 1990. The Kanata plant now employs

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