

II - CONCLUSIONS OF THE PEAT MARWICK STUDY

The pharmaceutical industry encompasses a wide range of product sectors. The main product groups examined in this study are defined by the U.S. Department of Commerce as non-specified products suitable for medicinal use and drugs; non-specified drugs; non-specified antibiotics; and non-specified drugs and related products, including mineral oil and salts for medicinal purposes. Products included in these groups range from fish liver oils, dietary supplements, antimotion agents, enzymes, acids and minerals for human absorption and a multiplicity of drugs. These are the major product markets in the United States served by European firms.

U.S. shipments of pharmaceutical products for 1987 were over \$36 billion (U.S.) (est.), while U.S. imports of the products of concern in this study are estimated at \$1.9 billion (U.S.) in 1987. Market shares in the United States for European and Japanese pharmaceutical imports in general have increased since 1986, while Canada's market share has remained steady. In recent years, other countries such as Singapore, the Bahamas and China have succeeded in steadily increasing their penetration of the U.S. pharmaceutical products market. In 1987, their estimated market share (16.7%) was comparable to that of Japan (17.0%). The U.S. market for pharmaceutical products is expected to grow steadily for the next five years. Canadian firms must, however, also consider replacing U.S. imports from other countries if they hope to achieve a relatively larger share of the U.S. pharmaceutical market.

The survey of U.S. importers of the products under examination indicated that over 69% were facing rising costs for their imports due to the devaluation of the U.S. dollar. As a consequence, many who were not yet familiar with Canadian products expressed interest in looking at these products as possible alternative sources of supply. Though considered a major step forward in the free trade concept, the eventual signing of the Free Trade Agreement is not expected to alter present industry trade patterns between Canada and the United States. The regulatory environment in the United States carries far greater economic implications. It is the most significant non-tariff barrier that Canadian pharmaceutical suppliers have to contend with when trying to penetrate the U.S. import market.

U.S. importers interested in Canadian products said they would prefer to obtain information directly from the Canadian company through brochures and product listings and personal contact