

## **II - CONCLUSIONS OF THE PEAT MARWICK STUDY**

The hand tool industry encompasses an extensive range of product sectors. The products included in the study are: electric hand-directed or controlled tools and hand-controlled tools with non-electric motors. These products account for the largest volume of U.S. imports of all categories of hand tools which are supplied by major developed countries.

U.S. shipments of power tools for 1987 reached \$2.6 billion (U.S.), while U.S. imports of the products of concern to this study were \$464.5 million (U.S.) in 1987. The European, Japanese and Canadian market share in the United States has declined somewhat since 1986, while the market share of all other countries has increased. The U.S. market for power driven hand tools is expected to sustain modest growth of 2.2% annually for the next five years. Canadian firms may, however, expand their exports to the United States at higher rates of growth by replacing U.S. offshore imports.

The survey of U.S. importers of the products under examination indicated that over 90% of the respondents were facing rising costs for their foreign imports due to the devaluation of the U.S. dollar. As a consequence, the majority of those who had not yet tried Canadian products expressed interest in learning about Canadian sources of supply. In addition, 40% of U.S. importers contacted reported that they would increase their imports from Canada in the event of a Free Trade Agreement between Canada and the United States. Twenty percent 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 companies through brochures and product listings, trade fairs and trade publications. Price and quality were cited most frequently as significant considerations in importers' decisions to source outside the United States. Almost one third of the respondents imported products in order to supplement their domestic supplies.

The survey of U.S. associations connected with the hand tools industry indicated that Canadian goods are well regarded in the U.S. market and that Canadian firms are generally perceived as competitive.