

A. GEOGRAPHIC MARKETING

NON - CIRCULATING /
CONSULTER SUR PLACE

1. United States

The influence and the importance of the U.S. market on the Canadian economy is demonstrated through the size and diversity of Canadian exports. [The latest trade figures for 1984 showed that nearly 80 per cent of all Canadian exports went to the U.S.] The U.S. economy is expected to show moderate growth in the next four years, with the real gross domestic product (GDP) predicted to show an average annual growth rate of 3.3 per cent between 1985 and 1989. Any slowdown in the U.S. economy over the medium term can be expected to have some adverse effects on Canadian exports to the U.S.

While Canada remains the single largest supplier to the U.S. of natural gas and electricity, over 70 per cent of Canadian exports to the U.S. are manufactured products. The importance of the U.S. market to Canadian industry in terms of the variety, value and proximity of export opportunities coupled with the increased attention being paid to it by other foreign suppliers, necessitates a vigorous pursuit of sales in order to maintain and increase Canada's market share.

From a trade promotion perspective, priority industry sectors have been identified as agricultural machinery, manufactured wood products, urban transportation equipment, and sporting goods. These and other key sectors (forestry equipment, oil and gas equipment, defence products, hardware, high tech computer hardware and software, apparel, pleasure boats, manufactured and processed food, and processed fish products) will be given focus in specific promotional events in the forthcoming fiscal year. The U.S. is seen as a natural market for first-time Canadian exporters, and small- to medium-sized firms. The Northern Tier States, the Sunbelt Region, and the West Coast are considered the strongest regional markets.

The federally-organized promotional projects program for 1985/86 includes 75 events ranging from full-scale Canadian national participation to buyers missions and solo shows. Twenty-two events focus on Consumer Products (furniture, apparel, sporting goods and housewares); twelve on Food Products including fish; nine events on the Resource Industry including building materials and manufactured wood products; five events on the High Tech industry; and the balance addresses the other key sectors.

2. Europe

Europe is the largest trading region in the world and the second most important one for Canadian exporters. The economic recovery that started in the European Economic Community (EEC) two and a half years ago is expected to continue in 1985, but at a slower rate (the real GNP increase is fore-

cast at 2.2 per cent for 1985). Growth in the EEC is based on the assumption that internal demand and, hence, imports will increase. The projections for Europe as a whole are for an average annual growth rate in real GDP of 2.1 per cent between 1985 and 1989.

West European trade, although dominated by the EEC and European Free Trade Association (EFTA) trade zones, nonetheless consists of annual imports from outside those zones of \$375 billion. In addition, the centrally planned economies of Eastern Europe import \$65 billion each year from Western suppliers.

Since 1980, on average, more than 60 per cent of Canada's exports to Western Europe have been in higher value-added fabricated materials and end products. Western Europe remains an attractive cash market for exports, and generated tourism receipts of \$650 million in 1983.

Competitive financing packages are an important part of sales to Eastern Europe, as is the ability of exporters to meet counterpurchase obligations. The U.S.S.R., now the number one market for Canadian grains, will remain one of the primary purchasers of large-scale capital projects.

The maintenance of fair market access and relief from non-tariff barriers in Europe is a prerequisite for Canadian exporters. Canadian firms continue to benefit from various agreements with European suppliers to transfer technology into North America. The region can also offer attractive partners for joint projects in third countries.

Europe offers many opportunities for technology transfer, debt and equity sourcing and the exposure to a worldwide customer base at specialized trade fairs. Companies with new product developments should invest in the European market early on in the product development life cycle to maximize growth opportunities.

3. Asia and Pacific

New markets in Asia and the Pacific have opened for Canada. This region has the fastest economic growth rate in the world [real GDP projected average annual growth rate of 5.6 per cent between 1985 and 1989] and now represents Canada's most rapidly growing export market.

A 4 per cent growth rate is forecast for 1985 in Japan. This is based on an increase in domestic demand. Sales of raw materials are expected to increase, although industrial restructuring which emphasizes "knowledge" industries rather than traditional heavy industry could be a moderating influence. Although Canada's traditional surplus with Japan has been based on raw materials, it is decreasing steadily. As a consequence, Canada must look to expand and diversify its exports in areas where it is running deficits, such as machinery, consumer goods, and processed raw