3.2.4 Recommended Indicators And Approaches -

One effect of the FTA is expected to be an increase in the competitiveness of Canadian industry. This will lead to increased pressure on industry prices in Canada relative to those in the United States as a result of the tariff removals. A comparison over time of U.S. industry price trends with the comparable Canadian prices, with adjustment for the exchange rate and tariff changes should indicate whether this is happening or not. Price detail at the industry level is available in both countries on a time-series basis, allowing for the development of econometric testing of the effects.

Another option would be to use the Canadian import prices and to compare them to the Canadian industry prices. Evidence of a gap opening up after the FTA would suggest downward pressure from tariff removal.

Export prices could also be compared with U.S. industry prices, adjusted for exchange rate changes. If major deviations occur, then this could be indicative of Canadian export prices being affected by U.S. tariff reductions. Within the IPPI database there are some industry prices for which a distinction is made between export and domestic prices. If these items were affected by U.S. tariff changes, then the export price index might rise more rapidly than the domestic price index.

Although no distinction is made between imports and domestically-produced goods in the published CPI information, it may be possible for Statistics Canada to provide a special tabulation for some selected areas.