
Competitive Position

Factor endowments, such as ore grades, byproduct and coproduct relationships, mine and plant locations and energy availability, are important to Canada's overall competitive position. Capital, labour, technology, transportation and exchange rates are also crucial.

The export orientation of Canada's minerals and metals industry dictates that it be internationally cost competitive. Although the industry is generally cost competitive and a large exporter of some commodities, world mineral and metal prices are determined by market supply and demand forces largely beyond the control of Canadian producers. This means that when world supply is excessive, the price of Canadian minerals and metals must remain competitive.

For nonferrous metals as a group, Canada's competitiveness ranges from very strong for such key metals as aluminum, nickel and zinc to weak for some copper and lead operations, with most others in between. Within North America, Canada's competitive strength in copper is relatively good. Modernization programs currently under way in lead smelting will significantly improve that sector's relative strength.

Canada's iron ore industry is competitive in North America (i.e., mainly the lower Great Lakes region, which is accessible by inland and coastal waters and rail) but less so in offshore markets that are also served by Brazil, Australia and other smaller producers. By international standards, Canada's steel industry is generally cost competitive. It has distinct cost advantages over most U.S. and European mills, but has higher costs than some Japanese, Korean and Brazilian mills. For most other ferrous metals that are produced domestically, Canada's competitive strengths can be described as follows:

- (i) at the mining stage, strong in North America but marginal relative to developing countries;
- (ii) internationally competitive in producing pig iron and titanium slag;
- (iii) internationally competitive for processing large-volume ferroalloys such as ferromanganese and ferrosilicon; and
- (iv) weak to generally competitive in making intermediate (e.g., molybdenum oxides and disulphides) and refined products, often because of limited domestic markets and sometimes because of insufficient access to proprietary technology (e.g., rare earth metal separation).