- having failed to match the labour productivity gains, and denied the raw material cost advantages of U.S. producers, the Canadian producers have lost competitive position.
- Canadian producers, despite the currency advantage, are totally non competitive in the U.S.
- U.S. producers, despite their currency disadvantage, are competitive in Canada, especially in Ontario and Quebec.

2. Strengths and Weaknesses

- the absolute size and user density of U.S. regional markets affords opportunity for economies of scale and specialization to many U.S. producers.
- Canadian producers, even in Ontario and Quebec, have virtually no opportunity to achieve economies of scale in the comparatively small regional markets.
- production runs in many Canadian corrugator plants are characterized by relatively small quantities.
- the frequent machine changes inflate production costs and lower plant efficiencies overall.
- in addition, relatively large volume users spread their orders among several producer companies as a matter of purchasing policy.
- transportation costs are a limiting factor in the movement of the product from plant to user.
- transportation costs insulate the regional markets in Canada from each other.
- transportation costs serve to limit the North American market area to border states adjoining Ontario and Quebec.
- the normal mode of transport is trucking, and in this cost element the U.S. producer has cost advantages over the Canadian producer.

a) Trade Related Factors

- the only competitor to Canadian producers is the U.S. counterpart.
- by 1 January 1987, under the MTN, the Canadian tariff will be 9.2 per cent.
- by 1 January 1987 the corresponding U.S. tariff will be approximately 3 per cent.
- for Canadian producers the principal import protection is provided by the currency exchange.
- however, the currency exchange is not sufficient to increase Canadian container exports to the U.S. at this time.
- on a national basis, the U.S. market is approximately 12-14 times the size of the Canadian market and production capacities are in comparable ratio.
- regional U.S. markets adjoining Ontario and Quebec are approximately 5 to 6 times the combined Ontario/Quebec market with production capacity at an estimated 4 to 5 times ratio.
- U.S. producers in these regional markets are among the most cost efficient producers in the U.S. and operate consistently with labour and material cost ratios below the U.S. average.