

In 1984, the PMA reported that the industry spent about \$203 million on in-house R & D, of which \$63 million was in the refining area. Less than 30 firms accounted for all of the expenditures, indicating that large, foreign-owned firms performed most of the R & D. The industry also relies upon licencing technologies from abroad, particularly in the refining area. Given the nature of the products, Canadian-based producers do not have a comparative advantage.

Canadian refiners essentially produce for the local market and import/export product as required to offset supply/demand imbalances. Some processing for export takes place on tidewater to maintain refinery utilization rates. Exchange rate fluctuations would impact both input and output prices roughly proportionally. There are no major strengths or weaknesses other than a lack of economies of scale such as those of the large OPEC export refineries coming on stream.

III. Market Access Impediments and Vulnerabilities

Canada does not levy any tariffs on crude oil or products. The U.S. has very low import fees (\$0.11/bbl on light crudes and \$0.05/bbl on heavy crudes; product tariffs range from \$0.525/bbl on gasoline and jet fuel to \$0.105/bbl on distillates and fuel oil). As a possible revenue measure, there is a Congressional move to increase the import fees to \$3 - \$5/bbl to offset OPEC price decreases. The ban on exports of crude has recently been removed by a "Presidential Finding" as part of the oil trade liberalization agreed to at the Quebec summit. There is still a ban on Alaskan and naval reserve exports, but this has very little impact on Canada.