
With respect to the various costs associated with competitiveness, the Canadian manufacturing sector is relatively well positioned in the areas of raw material prices, capital costs, rates of taxation and wage costs. For example, a recent Conference Board report (1987) noted that "The Canadian corporate tax system is competitive... The differences between the tax systems of Canada and the United States are generally small, and the two countries' relative competitiveness often depends on the particular state or province under consideration."⁵

Another Conference Board report (1988) indicated that, for the economy in general, Canadian earnings in 1986 (on an exchange-rate-adjusted basis) were 10 per cent lower than those in the United States. More narrowly, "Within manufacturing, relative Canadian earnings are lower among the durables group than among non-durables. However, low relative earnings do not necessarily mean low-paying areas, as the highly traded and competitive industries are often high-paying industries." As well, the study noted that "Any increases in productivity resulting from freer trade will allow increases in absolute earnings in both countries while maintaining relative earnings levels."⁶

Other factors in the competitiveness equation such as entrepreneurship, marketing costs, competition laws, regulations and specific trade barriers are best dealt with on an industry-by-industry basis. Where these are particularly important to an industry, they will be discussed in detail in the relevant Industry Profiles (see Appendix B for a complete list).

By obtaining more secure access to the large U.S. market, the Agreement will help to reduce the productivity gap by providing Canadian firms with the opportunity to benefit from specialization and economies of scale. The Agreement will also help to increase the competitive position of industry in Canada through lower input costs, facilitating faster adoption of new technologies, and encouraging new investment in Canada to take the fullest advantage of the whole North American market.

The Agreement will, therefore, have the potential to increase Canada's competitive position, thus promoting increases in employment and the Canadian standard of living.

⁵ Warda, J. and Zollo, T., 1987, *The Competitiveness of Canada's Corporate Tax Structure*, Ottawa: Conference Board of Canada, p.vii.

⁶ Lendvay, Zwickl, J., 1988, *How Well Do We Compete? Relative Labour Costs in Canada and the United States*, Ottawa: Conference Board of Canada, p. vi.