hensive report on industrial competitiveness based on some 240 subjective and objective criteria. The EMF defines competitiveness as

> . . . a measure of the immediate and future ability of industrialists to design, produce and market goods whose price and non-price qualities form a more attractive package than those in competitors abroad or in domestic markets.

Canada placed sixth in 1982 after Japan, Switzerland, the USA, Germany and the Netherlands. We used to be second to the USA.

There are, of course many ways to measure international competitiveness. In one sense, in a period of floating exchange rates, fluctuations in exchange rates act as an equilibrating element making many measurements ambiguous. A lower Canadian dollar, for example, may make exports cheaper but also increases the relative cost of imported inputs. In a fundamental sense, however, when productivity growth in one country lags significantly behind that of its major trading partners, its international competitiveness will deteriorate, especially when this phenomenon is coupled with wage increases which far outstrip productivity growth. Canada's competitive position deteriorated during the first half of the 1970s mainly due to higher Canadian wage and price increases relative to those in the United States. An improvement took place in the second half of the decade largely due to a significant decline in the external value of the Canadian dollar. There was, however, no reversal in wage increases and productivity growth. Indeed, in 1981-82 there was further pressure on the dollar resulting from wage increases and inflation rates significantly higher than those in the USA. An improvement in Canada's international competitiveness is thus of paramount importance.

The relative level of taxation between Canada and its main international competitors may place us at a disadvantage; exchange rate changes due primarily to capital flows may, at least in the short-term, adversely affect our export performance; actions taken by foreign governments in response to policy measures in Canada may affect our access to these markets; subsidy programmes which may seem appropriate for the short-term may hinder our longer-term opportunities in foreign markets. These examples are given merely to illustrate the inter-relationships involved. While it is not suggested that policy decisions taken in other areas should respond solely to trade considerations, trade is so vital to the welfare of the Canadian economy, that the implications for trade and international economic relations of such policies should be clearly understood before arriving at final decisions.

Canada faces particular problems in achieving international competitiveness, stemming in part from geography, climate and population dispersal. The negative impact of the relatively small domestic market is exacerbated by the fact that the market is relatively more fragmented and compartmentalized than our competitors. Nonetheless, Canada's strengths (resources, skilled manpower, energy, water, secure source of supply, etc.) have overcome these natural difficulties in the past and will continue to do so in the future provided government policies are supportive of the goal of improving the standard of living of Canadians through, for example, increased specialization and export development. It is basic that the trend which has seen labour costs rising more sharply than productivity be reversed. The road to a