producing industry. At this point in time, it is not known what gains in productivity could be achieved if Canada were to increase its activity. For the purposes of this study, it was assumed that in a free trade environment, most Canadian producers will be able to raise their productivity levels to within five per cent of the level of their United States counterparts. In some cases, this is clearly not possible. Agricultural land is so much more productive in the United States than in Canada that no amount of rationalization of the process could equalize the Canadian and United States productivity levels. The question of how different the United States and Canadian productivity levels were proved to be a difficult one. Estimates of the difference will vary depending on what year is used and at what level of detail the data are examined. It is interesting to note that if just the productivity levels of aggregate manufacturing are compared, then it appears that the United States workers are around twenty-five per cent more productive than the Canadian. However, if this comparison is done on an industry by industry basis, this difference appears much lower. In this study, is was assumed that Canadian workers were ten per cent less productive and that half of this gap would have to be closed. Thus, productivity is assumed to rise by five percent more than in the base case over the period 1988-97 in the manufacturing industry. It was thought unlikely that any major increase in productivity growth could be achieved without an increase in investment. As a result investment in manufacturing was increased by an extra $200-million per year through this ten-year period.