first-generation Canadians; together with our English/French heritage, this diversity could be a strength for marketing and operating in Europe. Despite these advantages, however, the ability of Canadian firms to compete with Europeans has eroded over the past decade.

1.2 Recent Events

The erosion of Canadian competitiveness was a significant element behind recent efforts to develop a more productive Canadian economy. The Government of Canada estimates that the FTA, sales tax reform, income tax reform, the Labour Market Development Strategy, deregulation and privatization should add 0.75 per cent to annual growth in the early 1990s by improving the productivity of labour and capital.[1] Deregulation of the energy industry in the mid-1980s, and more recently of segments of the transportation industry and of financial intermediaries, should have a reinforcing effect. The restructuring of the mining sector at the time of the 1982 recession has left the country with a rationalized metal and non-metal mining industry.

The FTA is particularly relevant in the context of an integrating Europe. As with Europe 1992, the FTA should promote significant restructuring of industry and increased investment at the start of the 1990s. Indeed, sectors that should realize substantial gains in productivity are similar for Canada and Europe, and include: food processing, furniture and fixtures, smelting and other primary metals, metal fabricating, electrical products, and chemicals.[2] In short, productivity gains achieved in most sectors in Europe because of economic liberalization should be approximately matched by similar gains in Canada following from the liberalization of North American trade. Obviously, firms that operate on both sides of the Atlantic should be considering the implications of both the FTA and Europe 1992.