

5.2.2.3 International Competitive Effects:

At the same time as the Canadian dollar has risen against the U.S. dollar, both have risen against most other major currencies. As noted above, the Canadian dollar has risen 16 per cent against the U.S. dollar in the last three years, half of that in the past twelve months. Over the same twelve months, it has risen 13 per cent against the yen and an average of 18 per cent against EC currencies.

While some pricing-for-market activity¹²⁵ by Canadian exporters has softened the short-term effect to some degree, in the long term artificially sustained currency appreciation could lead to a significant decrease in export opportunities, while increasing foreign competition at home and obstructing adjustment.

- For example, **Electrohome Canada** of Kitchener estimates that absorbing a portion of the exchange rate rise in its prices cost it over \$500,000 between September, 1988 and September, 1989.
- **Galtaco**, an auto parts manufacturer in Paris, Ontario has cited the higher dollar as the reason it has closed its 400-employee factory.
- The value of the dollar also has received part of the blame for the closure of eight **Fishery Products International** plants in Atlantic Canada over the summer of 1989, one of which was closed permanently.
- **Stelco** also has noted increased competition from U.S. steel producers in Canada, where it sells over 85 per cent of its production.

¹²⁵ This is a practice where prices for an export good are fixed in the importing country's currency, which occasionally leads to accusations of dumping. See IMF 1989 "Exchange Rates Affect Trade Balances" *IMF Survey* June.