
More Competitive Industry

Bilateral tariff elimination will be beneficial to Canada in other ways. It will put some Canadian mineral and metal exporters on an equal footing in the U.S. market with Third World exporters who enjoy duty-free access under the U.S. General Preferential System. Moreover, the phasing-out of Canadian tariffs on certain inputs will lower investment and production costs for extracting and processing minerals.

The availability of large volumes of energy at competitive prices is important for processing some minerals and metals. The Agreement places some constraints on the ability of governments to use export restrictions to depress domestic energy prices. However, it should be noted that the Agreement does not prohibit price differences for energy in domestic and export markets that arise from commercial practices or costs of service. For example, Canada enjoys a tremendous advantage in the costs of generating electricity and this will continue to be reflected in lower prices due to proximity to generating facilities and the ability of large industrial consumers to negotiate favourable rates.

On balance a more vigorous trading environment in North America should place Canadian producers and exporters in a stronger position for competing in other world markets.

Summary

In aggregate terms, the Agreement is expected to generate increases in value of output of Canada's minerals and metals industry, particularly in value-added as distinct from mine output. Exports and imports of minerals and metals are expected to increase. These increases will likely be achieved mainly through increased investment and expansion of processing facilities and improved productivity at various stages of the processing chain. Income should rise but overall employment levels are not likely to change significantly due to the capital intensive nature of the industry.

Although one can expect benefits to accrue to all regions of Canada where there is sizeable mineral activity today, precise regional impacts are difficult to predict. The biggest gains are expected to be in commodities such as aluminum, certain ferroalloys, magnesium and zinc, which require large amounts of electrical energy in their production process. The market for these commodities, and hence Canadian production, should expand as U.S. tariffs are phased out. Hence, those regions with readily available low-cost energy will benefit. Other commodities offering significant potential for gain are identified above. Benefits will also accrue to those firms and areas with specialized services related to mineral exploration and production.