

respond to the challenge of a wider market.

EXCHANGE RATE

Nearly all those consulted underlined the importance of future trends in exchange rates in any estimate of the effects of a closer trade relationship with the United States. Of the variety of views heard, the following three were most prominent:

1. If the Canadian dollar advanced in value in a gradual trend towards the 80¢ to 85¢ range, and this reflected a perception in the international money market that the Canadian economy was becoming relatively more competitive compared to the U.S., Canadian industry should be able to continue to compete effectively.
2. Some of those consulted believe that any significant increase in the Canadian dollar exchange rate would be damaging, particularly if the increase took place over a relatively short period and in response to capital movements occurring in advance of improvements in the basic competitiveness of the Canadian industry.
3. A number of respondents indicated that because some of their important inputs were priced in U.S. dollar terms a change in the Canada-U.S. exchange rate would have relatively little impact on their operations.

NON-TRADE RELATED GOVERNMENT POLICIES

All those consulted made the point that it was essential that Canadian policies should be aimed at making the macro economic climate in Canada the most internationally competitive possible. In addition, specific comments were made regarding the following:

1. Transportation

Many of those consulted emphasized the importance of transportation costs in their business. They recognize the advantage which U.S. companies now have in a de-regulated environment. All of those commenting on this issue expressed support for the de-regulation concepts outlined in the government's recent discussion paper on transport policy.