The Canadian nickel companies have incurred large debts in the years 1981 to 1983. Both Inco and Falconbridge have taken corrective measures to improve their financial positions.

The recession has had a profound impact upon employment, as Falconbridge has reduced its workforce by 38 percent while Inco has laid off 35 percent. During this period the value of Canadian exports of primary nickel has dropped about 35 percent to about $743 million.

2. Strengths and Weaknesses

a) Structural:

Over the past thirty years, the characteristics of the nickel industry have changed significantly. Now, there are over 40 producers in more than 25 countries, of which half are government controlled.

Much of the structural imbalance being experienced is due to the fact that, on the one hand, demand for nickel has matured to a growth rate of one to two percent per annum, with few new applications being developed. On the other hand, the LDC's embarked in the 1970's on very ambitious resource development based upon an assumption of the continuation of six percent growth rates. This has resulted in a global overcapacity that is expected to last until the year 2000. This structural change portends a long-term pricing problem which will require our producers to be swing producers, in spite of being the lowest cost producers in the western world.

b. Trade related Factors:

The problem facing Canadian nickel producers is not so much tariff and non-tariff barriers as the fact that half of the world capacity is supported, directly or indirectly, by governments. Uneconomic operations have been kept in production by some of these governments as social rather than commercial criteria have become increasingly important in determining production decisions. The unpredictability of Soviet shipments to western Europe is another destabilizing factor. The strong Canadian dollar in terms of other currencies is also an impediment to profitability of Canadian producers. In terms of European currencies, nickel prices have risen during the recession.

c. Technical Factors:

Inco has traditionally been the world leader in developing new applications for nickel uses. Lately, Inco has begun concentrating its efforts toward developing new technologies in mining, milling, and smelting. Sherritt Gordon Mines, on the other hand, has been the leader, also on a world scale, in developing hydro-metallurgical and powder metallurgy processes for nickel. While Falconbridge has not played any distinguished role in technology development, its R&D activities have focused on improving its productivity and environmental control.

The technological challenge facing Inco and Falconbridge in the near future pertains to developing affordable smelting processes to reduce SO_2 emissions drastically. This latter development relates to the fact that the federal government is committed to reduce acid rain by fifty percent by 1994 with the nonferrous smelters expected to take the brunt of the SO_2 cutbacks.

3. Federal Provincial Programs and Policies

The Ontario Government has, under the Ontario Mining Act, the legislative power to force companies to increase further processing of ores in Canada, but has allowed specific exemptions. For instance, Falconbridge has argued its case successfully for continued sanction of nickel-copper matte