provide the reader an opportunity to objectively review the findings in the report.

Notwithstanding these caveats, the current analysis, and previous work of this nature, allows Data Resources to offer the following study as an important contribution to the policy review. The authors believe that the analysis reveals key areas of strength and weakness in Canadian industry. In general, the results confirm the overall perspective that Canadian industries were operating in 1984 with costs that were 10 to 20 per cent higher than those faced by comparable American industries before accounting for the effect of the exchange rate. The depreciation of the Canadian dollar relative to the U.S. dollar after 1976 has provided a significant advantage to domestic producers, making most industries more cost-competitive than their U.S. counterparts in 1984.

The relatively strong position of many Canadian industries in 1984 is a recent development and few industries have enjoyed a consistent cost advantage for many years. Rather most sectors showed a consistent loss of competitiveness, especially before the exchange adjustment, during the 1970's.

Another general observation is that where Canadian industries show a cost advantage it is more often related to lower material costs (often lower energy costs) than to labour costs. Many industries show high and rising labour costs relative to U.S. industries.