THE CANADA-U.S. FREE TRADE AGREEMENT AND INDUSTRY

· AN · ASSESSMENT ·

TRADE: Securing Canada's Future

Canada

THE CANADA-U.S. FREE TRADE AGREEMENT AND INDUSTRY

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Contents

Executive Summary

1

The Canada-U.S. Free Trade Agreement will be of significant economic benefit to Canada by establishing a more secure and a more open trading relationship between Canadian and U.S. markets. It will benefit individuals, industrial sectors and all regions of the Canadian economy.

Canada's manufacturing industries, many of which already enjoy a high degree of bilateral free trade, stand to gain from the Agreement both immediately and in the 1990s and beyond as the effects of trade liberalization permeate the entire economy.

Following are the principal benefits of the Agreement for manufacturing industries:

- More secure access to the U.S. market as a result of the provisions negotiated on emergency import measures and the dispute settlement mechanism;
- For most manufacturing industries, removal of tariffs will be the most significant change in trade barriers. Tariffs will remain in place, however, for products from third countries, resulting in an advantage for Canadian goods in the U.S. market;
- Greater plant and product specialization and increased industry productivity and profitability as Canadian and U.S. tariffs are eliminated and producers rationalize;
- Creation of new market opportunities for many products and for specialized services related to production and after-sales services;
- Creation of a more internationally competitive industry in Canada as the elimination of tariffs on certain inputs leads to a decrease in investment and production costs;
- More stable and predictable investment environment in North America;
- Improved access to state-of-the-art technology, management skills and marketing practices; and
- More scope for identification and exploitation of market niches and new production processes and products.

The Agreement will not alter the ability of Canadians to manage their business affairs. The responsibility for determining the pace and conditions of change will rest with individual firms which will need to factor the Free Trade Agreement into their business planning.

Over the coming months, the Department of Regional Industrial Expansion will publish individual profiles covering over 120 industries in the Canadian economy. (A list is set out in Appendix B). These profiles will be made widely available with a view to furthering understanding of the opportunities and responsibilities which face Canadian industry, not just in terms of the Agreement, but more broadly in the context of the entire range of factors which will affect Canada's future prosperity.

2

Introduction and Overview

The Canada-U.S. Free Trade Agreement is an historic and precedent-setting accord between the world's two largest trading partners. When it comes into force on January 1, 1989, the Agreement will realize major objectives of both countries. It will:

- gradually eliminate barriers to trade in goods and services between the two countries;
- facilitate fair competition within the free trade area;
- significantly improve conditions for cross-border investment;
- establish effective procedures for the joint administration of its provisions and the resolution of disputes;
- offer advantages to both Canada and the United States; and
- set the foundation for further bilateral and multilateral co-operation to expand and enhance the benefits of the Agreement.

The Agreement is an important contribution to Canada's future sustained economic growth, development and prosperity. It is consistent with Canada's obligations to its trading partners in the General Agreement on Tariffs and Trade (GATT), building upon GATT principles and going beyond them in new areas such as services and investment. The Agreement, together with the Uruguay Round multilateral negotiations under the GATT, demonstrates Canada's commitment to reducing trade barriers around the world. Trade liberalization, a cornerstone in the Government's overall economic strategy, offers Canadians a chance to grow and prosper further in a competitive and dynamic economy. By adding significantly to economic growth, incomes and employment, the Agreement will allow governments to continue to stimulate economic development in Canada's poorer regions and strengthen social programs for all Canadians. The gradual transition to a free trade environment will be facilitated by Canadian industry's underlying competitiveness, flexibility and adaptability.

From the beginning of the bilateral trade negotiations, close consultations were undertaken with a wide variety of affected groups. Advice was sought from the business community through the International Trade Advisory Committee and fifteen Sectoral Advisory Groups on International Trade. First Ministers held special meetings to discuss the negotiations, and there were discussions at the annual First Ministers' Conferences. Provincial trade representatives participated in regular meetings of the Federal-Provincial Continuing Committee on Trade Negotiations, as well as in individual working groups on each of the major elements of the Agreement. Government expertise in each sector of the negotiations was drawn from all relevant departments, ensuring the closest interdepartmental co-operation. This level of consultation, unprecedented for Canadian international trade negotiations, ensured that all interests and advice were taken into account to the greatest extent possible in every element of the Canada-U.S. Free Trade Agreement.

Sustaining and improving Canada's position in the world trading environment in a way that provides most benefits to the domestic economy requires that our industrial competitiveness be maintained and improved. Competitiveness itself is a measure of the ability to produce and market goods and services successfully in both domestic and foreign markets in the face of competition from producers of other nations.

The climate for Canadian business has evolved significantly in recent years. First, Canadian business is now part of an increasingly integrated global economy. There is no place to hide from intense and sustained competition from around the world. Second, the accelerated diffusion of information processing technology across Canadian industry, the advent of microprocessing technology and its rapid diffusion into manufacturing, widespread changes in telecommunications technology and the continuous development of new materials and new sources of existing materials as substitutes for many Canadian products are all modifying the competitiveness of companies and of entire industries. The competitiveness of many industrial sectors will depend on the extent to which inter-industrial transfer of technology occurs and on the way in which technological opportunities in one sector lead to innovations and increased competitiveness of firms in other sectors. Third, industry requires an improved support system of services in financing, transportation, communications, marketing, and management skills. These linkages are critical.

This is one of a series of publications concerning different aspects of the Canada-U.S. Free Trade Agreement prepared by the Government and covering a variety of sectors of the economy including agriculture, fisheries, energy and consumers. In other documents in this series, assessments of the impact of the Agreement on particular sectors are provided. Canada's industrial base is so diverse, however, that it is difficult to provide detailed information about the overall impact of the Agreement on Canada's manufacturing industries. Every manufacturing industry in Canada is unique in the way in which the Agreement will affect its future growth, and in each industry, the impacts of the Agreement will be felt in different ways and at different times.

This paper provides a snapshot of the major elements of the Agreement to give Canadian firms a better appreciation of those features which are most relevant to their particular business activity. Each firm or industrial sector planning to do business within the framework of the Agreement will need to study both the provisions of the Agreement and the resulting legislation relating to its particular areas of interest.

Over the coming months, the Department of Regional Industrial Expansion will publish individual industry profiles which will assess the current competitiveness of over 120 industries in the Canadian economy (Appendix B). Each profile will describe the structure of the industry, its performance in recent years, and its strengths and weaknesses in terms of the key factors affecting its international competitiveness. The evolving environment facing the industry, particularly over the medium and long term, will be examined, including the implications of the Agreement. Industry participants are being consulted in the preparation of the profiles to ensure that the information is as current as possible and to provide an opportunity for a wide range of contributions.

Key Characteristics of Canada's Economy

3

The Agreement provides a major economic opportunity for Canada. It will result in changes in the way Canadian industry operates. Industry's ability to handle such economic change depends to a large extent on the general economic conditions prevailing at the time that change is occurring, as well as on the flexibility and adaptability inherent in the economy. Change can be more readily accommodated in an expanding economy, with rapid job creation, a favourable business environment and a competitive cost structure. Thus, to understand how free trade will affect industry, one must first examine the economic context in which the changes brought about by free trade will occur.

The following five sections provide the context in which the Agreement will influence industry in Canada.

- The first section reviews recent growth in Canada compared to our international competitors;
- The second section provides information on the basic structure of the Canadian manufacturing base;
- The third section illustrates the increasing focus on international trade, and its benefits for manufacturing performance;
- The fourth section outlines the key factors which determine the competitiveness of Canadian industry; and
- The fifth section sets out the key impacts of the Free Trade Agreement on Canadian Industry.

As indicated below, this context includes a strong economic performance base, flowing in part from superior trade performance. The Agreement, through its diverse impacts on industry, is an important means to build on our strengths and overcome weaknesses that remain in Canada's industrial structure.

The Canadian Economy in an International Context

The Canadian economy grew significantly faster than those of other major industrial countries, with the exception of Japan, during the last decade and a half. The recent strength of the Canadian economy is shown in Tables 3.1 and 3.2. The 1984–87 period typifies this performance with Canadian growth outstripping that in all major industrial countries. In looking ahead to the 1988–89 period, the Organization for Economic Cooperation and Development, in its December 1987 Economic Outlook, predicted a continuation of this favourable trend. Such strong growth has helped to facilitate change in the Canadian economy, and will continue to do so in the future.

Table 3.1
Growth in Real Gross Domestic Product (GDP by Country*)
(average annual rates of change)

Country	1973-87	1973-79	1980-83	1984-87	1986	1987**
Canada	3.7	4.7	1.2	4.4	3.3	3.9
United States	2.7	2.8	1.3	4.0	3.0	2.9
Japan	3.9	4.2	3.6	3.9	2.4	3.5
Germany	2.0	2.7	0.6	2.3	2.5	1.5
France	2.4	3.4	1.5	1.7	2.1	1.5
Italy	2.7	3.2	1.4	2.9	2.7	2.8
United Kingdom	2.0	2.3	0.3	3.1	2.9	3.8

* Calculated from GDP at 1980 price levels.

** The 1987 data for Canada and the United States were taken from CANSIM, Statistics Canada. Data for 1987 for Japan, Germany, France, Italy and the U.K. are the projected growth rates published in *The Economic Outlook*, December 1987 (Paris: OECD).

Source: The Organization for Economic Cooperation and Development, *National Accounts, Main Aggregates, V. 1, 1960–1986,* (Paris).

Table 3.2
Rate of Job Creation by Country
(average annual rates of change)

Country	1973-87	1973-79	1980-83	1984-87	1986	1987*
Canada	2.4	3.2	0.8	2.7	2.9	2.8
United States	2.1	2.7	0.5	2.8	2.3	2.6
Japan	0.9	1.0	1.1	0.6	0.8	0.5
Germany	−0.2	−0.4	−0.7	0.6	1.0	0.5
France	0.1	0.5	−0.2	−0.3	0.3	−0.3
Italy	0.6	0.9	0.4	0.4	0.5	0.5
United Kingdom	0.1	0.6	−1.8	1.2	0.4	1.0

* The 1987 data for Japan, Germany, France, Italy and the United Kingdom are the projected growth rates found in *OECD Employment Outlook,* September 1987 (Paris). The 1987 data for Canada and the United States were taken from CANSIM, Statistics Canada.

Sources: OECD, *Labour Force Statistics,* 1965–85 (Paris).
OECD, *Quarterly Labour Force Statistics,* No. 3, 1987, (Paris).

This positive performance with respect to output growth has translated into solid gains in employment. Table 3.2 reveals that, from 1973 to 1987, the rate of job creation in Canada was the highest of major industrialized countries. Between 1986 and 1987, Canada's employment growth outpaced that in other major industrial countries by a wide margin. Such strong employment growth makes the movement of workers between companies, industries, and sectors much smoother than might otherwise be the case.

In large measure, Canada's buoyant growth has been based on success in international markets, continuing a pattern which has characterized the evolution of the Canadian economy throughout the country's history. As Chart 3.1 displays, exports of goods and services per capita are high in Canada relative to other major industrialized countries. West Germany, the only country whose reliance on exports is similar to Canada, has open and secure access to the large European Community market.

In 1987, over 76 per cent of Canadian exports went to the United States market, while Japan accounted for just over 5 per cent of total exports (Chart 3.2). The same pattern holds for imports. As seen in Chart 3.3, in 1987 approximately 69 per cent of Canadian imports originated from the United States, with the Japanese share standing at somewhat less that seven per cent. These figures highlight the importance to Canada of maintaining and improving open access to the U.S. market. This is even more important in light of the fact that the U.S. market is over 10 times larger than that of Canada, over twice that of Japan and somewhat larger than the entire European Community market (Table 3.3).

Canada's Industrial Structure

An understanding of the structure of Canadian industry in terms of output and employment is helpful in considering the impact of the Agreement.

Table 3.4 shows the output and employment shares of the various industries that make up the Canadian manufacturing sector. In 1987, Transportation Equipment, Food and Beverages, and Electrical and Electronic Products held the three largest shares of manufacturing output (12.1 per cent, 11.3 per cent and 11.3 per cent, respectively). The industry employment shares roughly correspond to those of output, but there is some variation. Food and Beverages, Transportation Equipment, and Printing and Publishing recorded the largest employment shares (12.4 per cent, 11.5 per cent and 8.3 per cent, respectively).

Manufacturing activities in Canada are predominantly located in Ontario and Quebec, with shares of 53.9 per cent and 26.1 per cent, respectively, in 1984 (the latest year for which data are available). This regional distribution of manufacturing output and employment is shown in Table 3.5.

International Trade

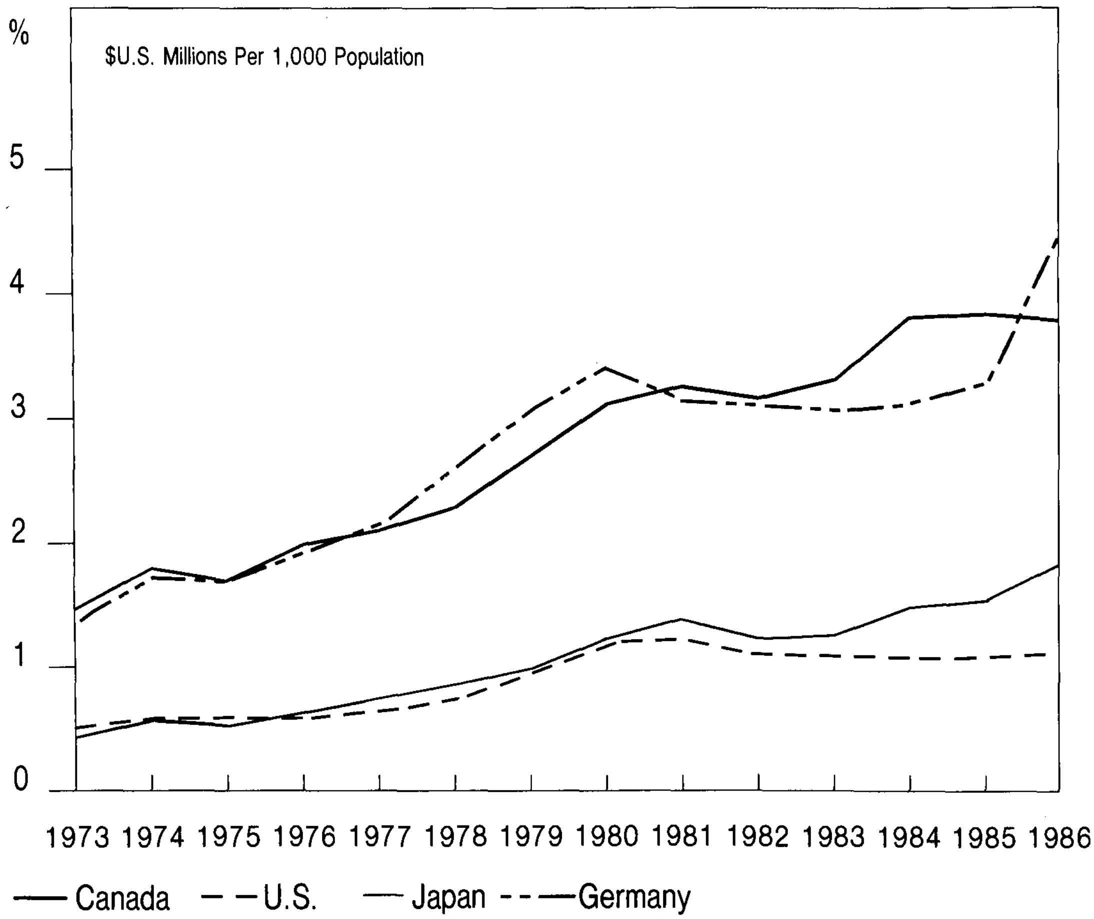
Many major manufacturing industries are inextricably linked to international trade as shown in Table 3.6. In 1986, for example, 85 per cent of Transportation Equipment shipments, and between 52 and 58 per cent of Paper and Allied Products, Primary Metals, and Wood Product shipments were exported. Sustaining production in these important industries in the future will require continued access to our major export markets.

Table 3.6 also reveals the important degree to which imports supply the needs of the Canadian economy; the Transportation Equipment, Non-Electrical Machinery, and Electrical and Electronic Products industries are the most prominent examples. Moreover, a number of manufacturing industries exhibit an increasing level of trade orientation (for both exports and imports), reflecting both the growing importance of intra-industry specialization and trade in intermediate products as well as the increasing integration of international markets.

This phenomenon of increasing trade orientation is being experienced in all industrialized countries, and reflects the ever-growing importance for countries to specialize in those particular market segments in which they are most adept. The rising two-way flow of products is one of the key factors allowing nations to benefit from international exchanges, and to reap the rewards of specialization and increased productivity in terms of economic growth, employment and higher standards of living.

The benefits of two-way trade are easily seen even at the level of individual industries. Those industries which have experienced the largest increases in export orientation and import penetration over the 1973–86 period have also registered the largest increases in employment, as shown in Table 3.7. The most striking example is the Electrical and Electronics Products industry whose export orientation and import penetration have risen by 25 and 29 percentage points, respectively, while its employment has increased by 23.1 per cent. The Transportation Equipment industry experienced the second largest rise in export orientation over the period and the third largest increase in import penetration while its employment increased by 19.3 per cent. As Table 3.4 shows, these two sectors are among the largest in terms of their contribution to Canadian manufacturing GDP.

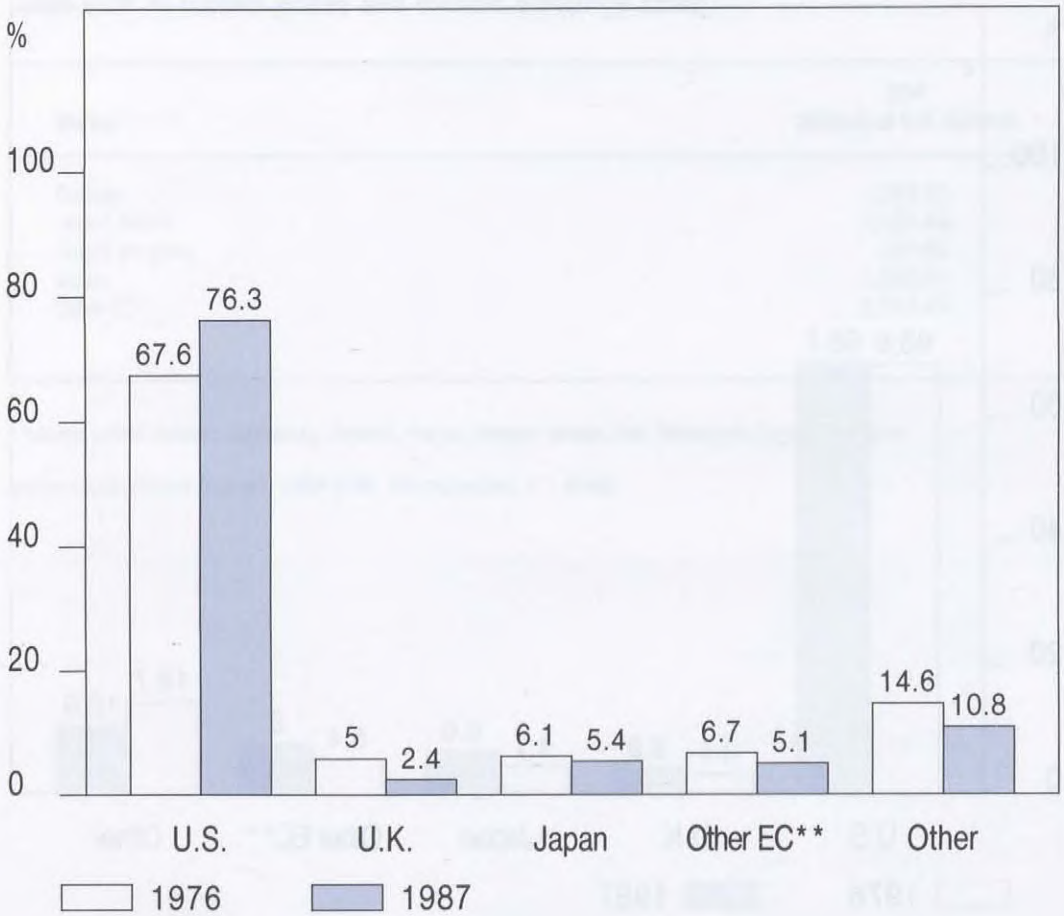
Chart 3.1
Exports per Capita



Source: National Accounts, Main Aggregates, V. 1, 1960–1986 (Paris: OECD).

Chart 3.2

Share of Canadian Merchandise Exports by Destination*



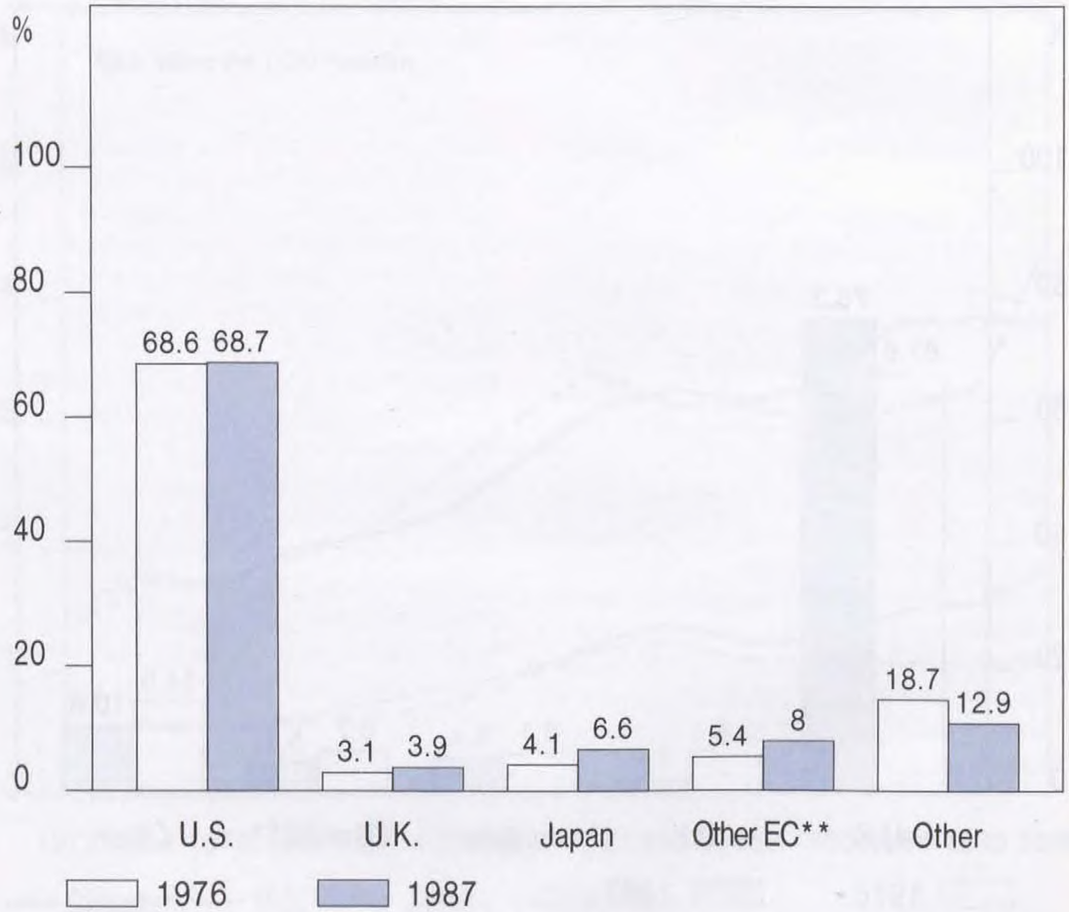
* May not add to 100.0 due to rounding.

** Includes Ireland, Belgium, Luxembourg, Denmark, France, Germany, Greece, Italy, Netherlands, Portugal and Spain.

Source: Statistics Canada

Chart 3.3

Share of Canadian Merchandise Imports by Origin*



* May not add to 100.0 due to rounding.

** Includes Ireland, Belgium, Luxembourg, Denmark, France, Germany, Greece, Italy, Netherlands, Portugal and Spain.

Source: Statistics Canada

Table 3.3
Indicator of Market Size
(1986 GDP at current prices and current exchange rates)

Market	GDP (Billions of U.S. Dollars)
Canada	363.93
United States	4,185.49
United Kingdom	547.80
Japan	1,955.64
Other EC*	2,913.45

* Includes Ireland, Belgium, Luxembourg, Denmark, France, Germany, Greece, Italy, Netherlands, Portugal and Spain.

Source: OECD, *National Accounts, 1960–1986, Main Aggregates, V. 1,* (Paris).

Table 3.4

The Structure of Real GDP and Employment in Manufacturing (1987 per cent share of total manufacturing)

Industry	GDP*	Employment
Food & Beverages	**11.3**	**12.4**
Tobacco Products	0.5	0.3
Rubber & Plastic Products	3.3	3.9
Leather & Allied Products	0.7	1.1
Textiles	2.6	2.9
Clothing	2.9	5.6
Wood Industries	5.6	6.5
Furniture & Fixtures	1.8	3.3
Paper & Allied Products	9.2	6.1
Printing & Publishing	**5.5**	**8.3**
Primary Metals	8.0	6.2
Fabricated Metal Products	7.1	7.8
Machinery (Non-Electrical)	4.0	3.8
Transportation Equipment	**12.1**	**11.5**
Electrical & Electronic Products	**11.3**	**8.1**
Non-Metallic Mineral Products	3.3	2.8
Refined Petroleum & Coal Products	1.2	1.1
Chemicals & Chemical Products	7.1	4.9
Other Manufacturing	2.6	3.4
Total Manufacturing**	100.0	100.0

* Based on GDP measured in 1981 dollars.
** May not add to 100.0 due to rounding.

Sources: Statistics Canada, *Gross Domestic Product by Industry,* December 1987, Cat. No. 15-001, (Ottawa: March 1988).
Statistics Canada, *Special Tabulation for Employment,* based on the Labour Force Survey.

Table 3.5
The Regional Distribution of GDP and Employment in Manufacturing (1984 GDP per cent shares, 1987 employment shares)

Region	GDP*	Employment
Atlantic Canada	3.8	5.3
Quebec	26.1	28.0
Ontario	53.9	50.8
Prairies	8.2	8.2
British Columbia**	8.0	7.7
	100.0	100.0

* Shares calculated from current dollar GDP.
** Includes Yukon and Northwest Territories.

Sources: Statistics Canada, *Provincial GDP at Factor Cost, Provincial Gross Domestic Product by Industry, 1971 — 1984,* Cat. No. 15-203.
Statistics Canada, *Special Tabulation of the Labour Force Survey.*

Table 3.6
Export Orientation and Import Penetration in Manufactured Goods by Industry 1973 and 1986 (per cent)

Industry	Export Orientation (Exports/Shipments)		Import Penetration (Imports/Can. Market)	
	1973	**1986**	**1973**	**1986**
Food & Beverages	11.1	14.1	9.0	12.6
Tobacco Products	0.3	6.7	1.3	2.0
Rubber & Plastic Products	7.1	23.5	20.8	27.8
Leather & Allied Products	6.7	9.5	26.0	45.5
Textiles, Knitting Mills and Clothing	5.4	7.9	20.2	29.5
Wood Industries	**46.9**	**51.5**	**10.7**	**10.7**
Furniture & Fixtures	4.9	22.2	9.2	15.6
Paper & Allied Products	**50.2**	**58.4**	**7.2**	**14.1**
Printing & Publishing	2.3	5.9	13.4	13.3
Primary Metals	**45.3**	**56.6**	**25.1**	**39.5**
Fabricated Metal Products	4.8	20.2	14.5	22.8
Machinery (Non-Electrical)	**43.2**	**49.2**	**70.5**	**73.3**
Transportation Equipment	**67.3**	**85.1**	**69.3**	**84.8**
Electrical & Electronic Products	**14.1**	**39.0**	**32.2**	**61.0**
Non-Metallic Mineral Products	8.7	12.5	15.4	19.0
Refined Petroleum & Coal Products	7.1	6.9	6.2	7.0
Chemicals & Chemical Products	15.8	24.9	28.2	30.5
Other Manufacturing	20.5	38.3	52.9	66.6
Total Manufacturing	26.6	37.6	28.7	38.6

Sources: Department of Regional Industrial Expansion, *Manufacturing Trade and Measures, 1981–1986*, (Ottawa: 1987).
Department of Regional Industrial Expansion, *Manufacturing Trade and Measures, 1966–1984*, (Ottawa: 1987).

Table 3.7

Change in Employment by Manufacturing Industry, 1973 to 1986 (thousands)

Industry	1973	1986	Change 1973–1986
Food & Beverages	251	244	−7
Tobacco Products	10	9	−1
Rubber & Plastic Products	57	86	29
Leather & Allied Products	29	26	−3
Textiles, Knitting Mills and Clothing	216	192	−24
Wood Industries	123	125	2
Furniture & Fixtures	61	60	−1
Paper & Allied Products	127	113	−14
Printing & Publishing	120	163	43
Primary Metals	129	117	−12
Fabricated Metal Products	161	154	−7
Machinery (Non-Electrical)	87	76	−11
Transportation Equipment	**197**	**235**	**38**
Electrical & Electronic Products	**134**	**165**	**31**
Non-Metallic Mineral Products	59	60	1
Refined Petroleum & Coal Products	23	22	−1
Chemicals & Chemical Products	79	95	16
Miscellaneous	64	73	9
Total Manufacturing	1,927	2,015	88

Source: Statistics Canada, *Special Tabulation of the Labour Force Survey.*

Canadian Industrial Competitiveness

Canada's ability to meet the challenges of increasingly dynamic world markets and to grasp the opportunities available from international trade, can be summarized by one word — competitiveness. Productivity is clearly a key factor in determining Canada's competitiveness, but other factors which are important include the costs of labour (both wages and other payroll costs) and raw materials and other inputs, capital and marketing, taxes of all forms, compliance with regulations, competition laws, and trade barriers. Investment and entrepreneurial performance are also important together with the effort and resources dedicated to research and development in both product and process innovation.

Productivity

Productivity itself is a critical economic variable determined by a combination of factors including the level of education and skills of the labour force; the adequacy of the productive capital and technologies that are used; and the efficiency of the production process which is significantly related to the abilities of management and factors such as specialization and scale of production.

A significant productivity gap still exists between Canadian and U.S. manufacturing.[1] As an illustration, Canadian productivity (as measured by GDP per employee) relative to U.S. productivity across the major manufacturing industries is depicted in Table 3.8. To a significant extent, this gap in manufacturing productivity has been shown by various researchers[2] to reflect the relatively small scale of Canadian plants which is the result of a small domestic market and high tariff protection. Faced with these constraints, Canadian industries have responded with shorter than optimal production runs and an excessive diversity of products.

Although there is an overall productivity gap between Canada and the United States, the situation varies by manufacturing industry and changes over time. Impressive improvements in Canada's relative productivity performance between 1973 and 1986 occurred in Electrical and Electronic Products and Transportation Equipment, the two industries mentioned previously which experienced the largest increases in export orientation and employment. Wood Industries also recorded a significantly improved relative productivity

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[1] See for example, Rao, P.S., 1988, *U.S.-Canada Productivity Gap, Scale Economies and the Gains from Free Trade,* Economic Council of Canada, (mimeo)

[2] See Eastman, H.C. and S. Stykolt, 1967, *The Tariff and Competition in Canada* (Toronto: Macmillan); and

Baldwin, J.R. and P.K. Gorecki, 1986, *The Role of Scale in Canada-U.S. Productivity Differences in the Manufacturing Sector 1970–79,* Royal Commission on the Economic Union and Development Prospects for Canada, U. of Toronto Press, Toronto 1986; as well as

Baldwin, J.R. and P.K. Gorecki, 1986, "Canada-U.S. Productivity Differences in the Manufacturing Sector: 1970–79", in *Canadian Industry in Transition,* ed. by D.G. McFetridge, Royal Commission on the Economic Union and Development Prospects for Canada, U. of Toronto Press, Toronto, 1986.

level while increasing its export orientation. On the other hand, major Canadian industries such as Pulp and Paper and Food and Beverages have lost ground with respect to their U.S. counterparts. It can also be observed from Table 3.8 that in 1986 only three Canadian industries equalled or exceeded productivity levels in the United States. To the extent that small scale and a small market account for these differences, it is reasonable to expect an improvement in the future as the Agreement will provide Canadian industries with more open and more secure access to the much larger U.S. market.

Other important factors, in addition to scale, which influence the level of productivity and in which Canada has been shown to be less strong than a number of other industrialized countries, are the amount of research and development (R & D) carried out and the rate of diffusion of technological advance. For example, as seen in Table 3.9, Canada ranks relatively low in the ratio of gross expenditure on R&D (GERD) to total GDP. The Economic Council (1983) has noted that a major contributor to this relatively low ratio is the Canadian manufacturing sector. In addition, the Council found that "Although there are some exceptions, case studies show that often the process of diffusion of technical change into and throughout Canada occurs more slowly than in other Western developed nations, and not only in the manufacturing sector but in the service sector as well."[3]

The Agreement should aid in overcoming these problems. Canada's attractiveness as a place to do business will be enhanced as a result of unfettered access to the U.S. market. This is significant, not only because of the increased availability of foreign capital for investment, but because, according to a study by Globerman (1979), there is evidence that foreign direct investment tends to improve productivity through the spillover of efficiency benefits.[4] It has been argued that foreign direct investment promotes greater efficiency by stimulating the adoption of new manufacturing processes and technology, improved management practices, upgraded labour skills, and increased levels of competition.

Other Competitive Factors

Canada's labour force is already generally viewed as highly educated and skilled, and therefore competitive with other countries. In addition, the ability of the Canadian economy to provide adequate capital stock to maintain the level of productivity and competitiveness is also not often questioned, especially given access to foreign direct investment which will be maintained and enhanced under the Agreement. Indeed, OECD figures show that private investment as a percentage of GDP in Canada compares favourably with other major industrialized countries. (The exception is Japan which invests much more heavily than the norm.)

[3] Economic Council of Canada, 1983, *The Bottom Line: Technology, Trade, and Income Growth* (Ottawa: Supply and Services Canada), p. 61.

[4] See, Globerman, S., 1979, "Foreign Direct Investment and 'Spillover' Efficiency Benefits in Canadian Manufacturing Industries", *Canadian Journal of Economics*, 12, no. 1 (February).

Table 3.8
Ratio of Canadian to U.S. Labour Productivity* by Manufacturing Industry

Industry	1973**	1986**	Change 1973-86
Food & Beverages	**0.90**	**0.71 *** **	**−.19**
Plastics & Rubber	0.80	0.89	+.09
Textiles & Clothing	0.79	0.94	+.15
Wood Products	0.62	0.97	+.35
Furniture	0.86	0.76	−.10
Pulp & Paper	**1.38**	**1.00**	**−.38**
Printing & Publishing	0.83	0.80	−.03
Metal Fabricating	0.69	0.75	+.06
Primary Metals	0.83	0.88	+.05
Machinery	0.74	0.61	−.13
Transportation Equipment	**0.66**	**1.01**	**+.35**
Electrical Products	**1.01**	**1.55**	**+.54**
Concrete & Cement	1.29	0.98	−.31
Petroleum Refining	0.32	0.28	−.04
Chemical Products	0.83	0.78	−.05
Manufacturing Total	0.84	0.85	+.01

* Labour productivity measured in constant 1981 U.S. dollars.
** Calculated as a three-year centered moving average in order to smooth out cyclical variations in the data.
*** Average of 1985 and 1986 data only.

Source: Data Resources of Canada.

Table 3.9
The Ratio of Gross Expenditure on R&D to GDP (1985)

Country	Per cent
United States	2.90
West Germany (1983)	2.58
Japan (1983)	2.56
Sweden	2.45
United Kingdom (1983)	2.27
France	2.27
Netherlands	2.01
Norway	1.54
Finland	1.52
Canada	1.42
Italy	1.26

Source: Organization for Economic Cooperation and Development.

With respect to the various costs associated with competitiveness, the Canadian manufacturing sector is relatively well positioned in the areas of raw material prices, capital costs, rates of taxation and wage costs. For example, a recent Conference Board report (1987) noted that "The Canadian corporate tax system is competitive... The differences between the tax systems of Canada and the United States are generally small, and the two countries' relative competitiveness often depends on the particular state or province under consideration."[5]

Another Conference Board report (1988) indicated that, for the economy in general, Canadian earnings in 1986 (on an exchange-rate-adjusted basis) were 10 per cent lower than those in the United States. More narrowly, "Within manufacturing, relative Canadian earnings are lower among the durables group than among non-durables. However, low relative earnings do not necessarily mean low-paying areas, as the highly traded and competitive industries are often high-paying industries." As well, the study noted that "Any increases in productivity resulting from freer trade will allow increases in absolute earnings in both countries while maintaining relative earnings levels."[6]

Other factors in the competitiveness equation such as entrepreneurship, marketing costs, competition laws, regulations and specific trade barriers are best dealt with on an industry-by-industry basis. Where these are particularly important to an industry, they will be discussed in detail in the relevant Industry Profiles (see Appendix B for a complete list).

By obtaining more secure access to the large U.S. market, the Agreement will help to reduce the productivity gap by providing Canadian firms with the opportunity to benefit from specialization and economies of scale. The Agreement will also help to increase the competitive position of industry in Canada through lower input costs, facilitating faster adoption of new technologies, and encouraging new investment in Canada to take the fullest advantage of the whole North American market.

The Agreement will, therefore, have the potential to increase Canada's competitive position, thus promoting increases in employment and the Canadian standard of living.

[5] Warda, J. and Zollo, T., 1987, *The Competitiveness of Canada's Corporate Tax Structure,* Ottawa: Conference Board of Canada, p.vii.

[6] Lendvay, Zwicki, J, 1988, *How Well Do We Compete? Relative Labour Costs in Canada and the United States,* Ottawa: Conference Board of Canada, p. vi.

Canada-U.S. Free Trade and Canadian Industry

Impact on Industries

For manufacturing in Canada, the gains from the Agreement will be widespread. However, the net gains, industry-by-industry, will depend on a number of factors, including the current rate of trade protection provided in both countries, current competitiveness and the ability to improve price competitiveness, as well as the potential to exploit new opportunities in an expanded and more secure market. Reductions in U.S. levels of protection will benefit many Canadian industries as Canadian goods will tend to be cheaper in the U.S. marketplace. In addition, removing high levels of domestic protection will be a strong stimulus for change in many areas of Canada's industrial economy. Industries with a high potential to improve efficiency by achieving scale economies will clearly gain substantially over time. Industries using products from the United States will benefit from lower input costs.

In assessing the prospects for individual industries, a variety of other factors also need to be taken into account. In many industries, fundamental global changes in technology, cost and market factors have already stimulated the process of rationalization and specialization. The Agreement will provide an important further stimulus to accelerate this trend.

Indeed, the opportunities from expanded and more secure access to a market exceeding 270 million consumers will enhance the ability of Canadian firms to undertake the adjustments and repositioning required. According to the findings of researchers such as Baldwin and Gorecki, such adjustments are likely to include increased specialization, longer production runs, the introduction of new technologies, investment in new and expanded facilities and the retraining of workers. In addition, firms will be able to take advantage of lower priced materials and machinery purchased from both domestic and U.S. sources to improve their competitive position.

Benefits will also come in the form of increased investment in Canada, particularly by foreign companies interested in capitalizing on Canada's relative competitive strengths as a supplier of both the North American market and markets in third countries. Canada's extensive resource base, its energy supplies, its skilled labour and its efficient transportation system, combined with secure access to the world's largest market, will result in a climate attractive to investors from all countries.

For Canadian exporters, preferential tariff treatment in the U.S. market will help them to compete more successfully in the United States with offshore competitors. In addition, the stimulus provided by the Agreement towards rationalization and improved competitiveness will allow Canadian industry to benefit from further worldwide trade liberalization as a result of the current round of Multilateral Trade Negotiations.

Currently, tariff and non-tariff barriers are higher in manufacturing than in other sectors in both Canada and the United States. Manufacturing should, therefore, have the most potential to realize benefits from trade liberalization through cost reductions and improved efficiency. It is evident from Table 3.10, which shows the average rates of tariff protection for manufacturing industries in Canada and the United States, that levels of protection vary substantially among industries. In Canada, tariff protection ranges up to 22.7 per cent in knitting mills. In the United States, the range of protection is approximately the same with a high of 20.7 per cent in Tobacco. It is interesting to note, however, that industries which are highly protected in Canada also tend to be highly protected in the United States. This suggests that the increased competition from the elimination of protection in these industries in Canada may be largely offset by the opening up of new opportunities for exports to the United States, particularly with respect to third country imports.

The Overall Effect

According to a number of studies, by the Department of Finance, the Economic Council and various private sector organizations, such as Informetrica and the Conference Board, the net result of the Agreement will be positive since the benefits to firms adapting to and capitalizing on the opportunities flowing from the Agreement are expected to be greater than the potential costs which may be experienced by those firms which face more difficult adjustments. The Department of Finance estimates that the Agreement will result in an increase in real manufacturing output of over 10 per cent in the long run.

Implications for Adjustment

Free trade with the United States will be but one of the influences to which Canadian industries will need to respond over the next decade. Other important factors include the continuing globalization and growing interdependence of world markets as well as continuing and accelerating advances in technology. Canadian industries have responded positively to change in the past, including the significant liberalization of trade which has occurred over the past several decades.

The Agreement is designed in such a way as to ensure a continuation of the positive adjustment process through:

- the 10 year phase-in period;
- new safeguard provisions and dispute settlement mechanisms;
- grandfathering of existing policies in certain areas (services, investment, beer); and
- exemptions for certain industries (culture, agriculture marketing boards).

These elements of the Agreement are discussed in detail in the next chapter.

Various studies suggest that the necessary adjustment can be readily accomplished. Rugman (1987), in a study of how multinationals will adjust to trade liberalization[7], argues that (1) multinationals can bear the costs of adjustment themselves; (2) there will be few plant closures; (3) bilateral trade and investment will both increase; and (4) the large firms studied will continue to prosper.

In fact, the economy is constantly adapting to change. Data developed by Baldwin and Gorecki[8] (1983) indicate that, over the decade of the 1970s, which was characterized by multilateral trade liberalization, the main method of adjustment was the birth of new firms, usually by the creation of a new establishment. At the end of the decade, 30 per cent of existing establishments were new entrants, the large majority by the creation of new facilities rather than by acquisition. Conversely, 40 per cent of establishments which existed in 1970 were no longer in existence by the end of the decade.

These same researchers[9] (1984) also demonstrated that increased trade liberalization has resulted in increased specialization in Canadian plants and longer production runs, thereby allowing Canadian industries to reap the benefits of economies of scale and to improve relative efficiency and competitiveness. Plants faced with increased import competition tended to carve out specialist market niches.

As the Economic Council noted in a recent study of adjustment (1988) "firms are constantly engaged in a process of adaptation — contracting or expanding production and employment, entering or exiting industries, merging and divesting, building new plants and closing existing plants."[10] In the same study, the Council found that "the Canadian labour market is undergoing constant change... in a typical year 8 per cent of the jobs in the manufacturing sector disappear because of plant closings and contractions, while there is an increase of 9 per cent in the number of jobs created because of plant openings and expansion. Worker behaviour adds another important dimension to labour market turnover. The number of worker-initiated moves is equal, in a typical year, to at least 10 per cent of the labour force in the manufacturing sector. This excludes temporary movement."[11]

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[7] Rugman, A.M., 1987, "Living with Free Trade: How Multinationals Adjust to Trade Liberalization", *Business Quarterly,* U. of Western Ontario, Fall 1987.

[8] Baldwin, J.R. and P.K. Gorecki, 1983, "The Determinants of Entry and Exit to Canadian Manufacturing Industries", Discussion Paper No. 225, (Ottawa: Economic Council of Canada).

[9] Baldwin, J.R. and P.K. Gorecki, 1984, *The Relationship Between Trade and Tariff Patterns and the Efficiency of the Canadian Manufacturing Sector in the 1970s: A Summary,* (mimeo).

[10] Economic Council of Canada, 1988, *Managing Adjustment: Policies for Trade-Sensitive Industries,* Ottawa, p. 39.

[11] Ibid, p. 18.

Table 3.10
Canadian and U.S. Tariff Protection in Manufacturing*

Industry	Canada	United States
	(Per cent)	(Per cent)
Manufacturing (Total)	**5.2**	**3.2**
Food & Beverage	5.2	3.6
Tobacco	16.5	20.7
Rubber & Plastics	9.4	4.5
Leather	15.7	7.5
Textiles	11.4	8.5
Knitting Mills	22.7	12.3
Clothing	19.7	10.9
Wood	2.5	1.5
Furniture & Fixtures	12.5	2.0
Paper & Allied Products	3.5	2.4
Printing & Publishing	2.7	0.6
Primary Metals	4.2	3.1
Metal Fabricating	7.3	2.6
Machinery	4.9	2.8
Transportation Equipment	2.3	0.6
Motor Vehicles	1.8	0.2
Motor Vehicle Parts	1.1	0.6
Aircraft & Parts	0.5	0.9
Shipbuilding	10.1	0.3
Other Transportation Equipment	8.5	4.3
Electrical Products	7.8	4.3
Non-Metallic Mineral Products	6.3	2.6
Petroleum & Coal Products	0.5	0.5
Chemicals & Chemical Products	6.0	3.5
Miscellaneous Manufacturing	6.0	3.9

* 1987 Post-Tokyo Round most-favoured-nation tariffs aggregated using production weights.

Sources: Department of Finance and the Institute for Research on Public Policy.

Many government programs and services which support the adaptation process are already in place. As well, the Federal Government announced on January 11, 1988 the formation of the Advisory Council on Adjustment to assist the Government by:

- examining the possibilities for Canadian businesses and workers to position themselves for optimum benefit from the Agreement;
- identifying specific adjustment issues or circumstances; examining various Government programs that support adjustment by firms, workers and communities; and
- recommending any changes to those programs which would improve their effectiveness, efficiency or equity as instruments to facilitate adjustment to the opportunities or issues arising from the Agreement.

Conclusion

Canadian manufacturing approaches free trade from a base of strong growth, with a powerful history of benefiting from trade, and a proven capacity to deal with and profit from change.

The Agreement will provide a means of remedying existing weaknesses in the overall industrial base, especially with respect to Canada's competitive position. It will generate increased investment, provide larger markets, afford access to new products and processes, and reinforce the level of competition. These effects will all serve to help Canada meet the increasingly competitive international markets of the future.

The Agreement and the Manufacturing Sector

4

A summary of the main elements of the Agreement, most of which have important implications for Canada's manufacturing industries, is set out in Appendix A. This chapter assesses the broader implications of the Agreement for Canada's manufacturing industries.

Improved Access

For many manufacturing industries, removal of bilateral tariffs between Canada and the United States will be the most significant change in bilateral trade conditions affecting individual firms. Present tariff levels for manufactured goods average about three per cent on imports into the United States from Canada and about five per cent on imports into Canada from the United States (Table 3.10). Under the Agreement, all tariffs are to be progressively removed within a maximum of 10 years. Items accounting for about half of dutiable trade will be phased out in equal annual steps by 1998, some of the balance by 1993, and some fully on January 1, 1989 (Table 4.1). The tariff phasing schedule provides a predictable framework within which Canadian producers can plan their activities to achieve maximum advantage from the Agreement.

The phase-in period of up to 10 years for the complete removal of tariffs and the appropriate timing of changes in other trade measures provide the principal mechanism to allow Canadian producers to reposition themselves in the new trading environment. Canadian industries will benefit from these changes through the opportunity to specialize, through economies of scale, and through lower input costs and increased domestic demand resulting from higher disposable income. As tariffs and other trade barriers diminish in importance with respect to bilateral trade, new opportunities for exchanges of information on technology, innovation, marketing techniques and labour and management skills will be enhanced for firms in both countries. These benefits should accrue to all regions of Canada and to all major sectors of the economy. While tariffs will be removed, Canadian federal sales and excise taxes and provincial sales taxes will continue to apply on imports from the United States as they will to Canadian-made goods but, as is currently the case, they will not apply on exports.

Goods Qualifying for Free Trade Agreement Treatment

Another aspect of the Agreement of particular interest to the manufacturing sector are the rules of origin and their application to goods moving across the Canada-U.S. border. This will be a critical element for many firms both in terms of safeguarding the gains achieved in the Agreement vis-à-vis third countries and protecting against the creation of excessive paperwork relating to the verification of origin of goods or their components. Clearly, any product that is wholly produced in either country, or partially in both, using materials and components wholly produced in either country will qualify. However, many products moving in North American trade contain some materials or components imported from third countries. Rules are necessary to ensure that only qualified products receive duty-free treatment.

Table 4.1
Examples of Tariff Phasing

- Tariffs will be eliminated on the following goods when the Agreement enters into force on January 1, 1989:

computers	some pork
some unprocessed fish	fur and fur garments
leather	whiskey
yeast	animal feeds
unwrought aluminum	ferro alloys
vending machines and parts	needles
airbrakes for railroad cars	skis
skates	warranty repairs
some papermaking machinery	motorcycles

- For other goods, tariffs will be eliminated in five equal steps, starting on January 1, 1989, for example:

subway cars	chemicals including resins (excluding drugs and cosmetics)
printed matter	furniture
paper and paper products	hardwood plywood
paints	most machinery
explosives	
aftermarket auto parts	

- All other tariffs will be eliminated in ten equal annual steps, most starting on January 1, 1989, for example:

most agricultural products	steel
textiles and apparel	appliances
softwood plywood	pleasure craft
railcars	tires

A product will qualify for duty-free treatment if the offshore materials that are used to make another product are imported into one country under one tariff item and the finished product enters the other country under a different tariff item.

In some cases, there is an additional requirement that at least 50 per cent of the direct cost of producing the product must originate in Canada or in the United States. Direct costs do not include costs relating to general expenses of doing business such as costs of administration, financing, sales advertising, marketing, packaging for export, accounting, legal and insurance services, and profit.

Special provision within the rules-of-origin elements of the Agreement has been made to permit Canadian manufacturers to use a certain quantity of fabric imported from third countries in apparel shipped duty-free to the United States. In other words, these products will be treated as being of Canadian origin even though they incorporate fabric made in other countries. For a limited time, specified quantities of fabrics made from third country yarn will receive the same treatment.

The Department of External Affairs is now examining, in consultation with the textiles and clothing industries, how best to administer the tariff rate quotas that will apply to trade in these products between the two countries in ways that will exploit the export potential of the two industries while minimizing uncertainty and documentation requirements.

Goods will have to be shipped direct from one party to the other to qualify under the origin rules of the Agreement. Material sent to other countries (e.g. Mexican free trade zones) for finishing will not qualify under the Agreement. Additionally, materials which are sent to other countries for partial processing will be considered third country materials when they re-enter either party for further processing. Revenue Canada (Customs) is now examining how best to implement the new system to protect the integrity of the rules-of-origin arrangement while minimizing documentation requirements for the private sector.

Special Customs Duty Programs

Duty *drawback systems,* the practice in both countries of refunding customs duties levied on materials and components imported from third countries when incorporated into goods which are subsequently exported to the other party, will be eliminated after five years for bilateral trade. Where duties continue to apply between Canada and the United States, drawbacks will continue to be permitted until January 1, 1998, when all bilateral duties will have been eliminated. For example, if a Canadian manufacturer imports components from the United States and pays Canadian customs duties on them, such duties can continue to be drawn back if the final product is subsequently exported to the United States. The Agreement will not affect the current drawback arrangements as they relate to third countries, i.e. Canadian manufacturers importing components from the United States or elsewhere and re-exporting them as part of a final product to another third country will continue to benefit from the drawback system.

Duty remission programs effectively constitute a reduction or removal of the tariffs that would normally apply. The right to continue this practice is unaffected under the Agreement provided such programs are not conditional on the beneficiaries achieving performance requirements such as increased exports, production, import substitution, new investments, or employment. Canada has agreed not to introduce any new "performance-based" duty remission programs after June 30, 1988, or whenever the U.S. Congress approves the Agreement. All existing customs-duty waivers or remission programs which incorporate performance requirements are to be eliminated by January 1, 1998.

The United States will phase out customs-user fees on imports from Canada over a five year period.

For certain manufacturers, these changes have important implications for their cost structures and their access to alternative sources of supply, especially third country sources. Manufacturers in many sectors, such as clothing, automotive parts and machinery, now take advantage of these mechanisms. It will be important that they position themselves early to meet the new bilateral trading situation.

Security of Access

While the removal of tariffs and improved customs arrangements are very important for Canadian manufacturers, the Agreement's provisions relating to dispute settlement, which provide increased security of access to the U.S. market, are also of great significance. Many Canadian manufacturers, particularly in the 1980s, have, of necessity, become acutely aware of the dangers associated with U.S. trade remedy laws (antidumping, countervailing duties and emergency actions). The large volume of goods which Canada ships to the U.S. market makes Canadian producers particularly exposed to the threat of protectionist pressures in the United States. In some cases, these pressures have resulted in specific actions against Canadian goods such as softwood lumber, fish products, and shakes and shingles. While these actions have had real negative impacts on both our trade and our relations with the United States, the main concern for most firms has been the continuing threat of adverse measures, such as quotas on imports of steel, and the uncertainty that results both for market development efforts and sales in the U.S. market and for investment and jobs in Canada.

Security of access to the U.S. market may seem somewhat irrelevant to the day-to-day business activities of many firms. It is only when a company seizes the initiative to enter a foreign market, or has become established there, that these issues become important. Indeed, these issues may become the key to whether the bottom line is black or red. Firms engaging in trade with other countries need to understand the rules that govern international trade if they are to succeed and need to be assured that the rules will not change abruptly. It is essential in this complex legal jungle for a firm to know that when it puts the time, effort and money into developing a new market for its product, its initiative will not be undermined.

The Agreement goes a long way to dispelling these concerns. As the two markets develop within a free trade environment, the kinds of non-tariff measures which led to the current situation will likely diminish in significance for bilateral trade, especially as the institutional arrangements on dispute settlement mature and precedents are established. In the interim, before the dispute settlement mechanisms become fully operative, there is a disincentive for new actions to be launched unless the complainants are confident that their cases will withstand the scrutiny of the new mechanisms which will take effect in 1989.

The elements of the Agreement relating to security of access include:

- special provisions on emergency import actions (safeguards);
- new countervailing and antidumping dispute settlement procedures;
- improved general dispute settlement provisions; and
- a Canada-U.S. Trade Commission to oversee developments under the Agreement.

These provisions are not easily understood. The following explanation is intended to provide clarification.

Emergency Import Actions (Safeguards)

The dispute settlement procedure is binding on all questions of "import safeguards". These are border measures, such as the establishment of quotas, taken when one country believes that fairly traded imports from the other country are causing its producers serious injury. The Agreement makes a distinction between the situations in which action can be taken.

Bilateral Safeguard Actions

Under the Agreement, when one party concludes that the problem is caused by imports from the other party alone and is the result of the reduction or elimination of a tariff under the Agreement, the importing country may revert to the most-favoured-nation tariff in force at that time (i.e., the rate of duty which applies to imports from third countries and which is likely to be higher than the Agreement rate). Alternatively, it could suspend further bilateral tariff reductions for a limited period. In doing so, however, the importing country will be obliged to consult with the other party. It must also limit the emergency action to a maximum of three years and must compensate the other party for the restrictive action taken. This is done through improving access to its market for other products by lower tariffs or some alternative method. Such an action can be taken one time only on any particular goods during the first 10 years of the Agreement. This provision will no longer be available beyond the expiry of the transition period (1998).

Global Safeguard Actions

Both countries have agreed to exempt each other from "global safeguard actions" permitted under the GATT except where one of the two parties is an important contributor to the injury caused by the imports. Global actions occur when one of the two parties takes an emergency action against imports from all other countries. This mutual exemption means that Canadian producers will no longer be "sideswiped" by U.S. emergency actions aimed largely at suppliers from other countries and vice versa. For example, if the United States were to impose global quotas on imports of shoes, it would do so against all countries but Canada.

A third element of this arrangement relates to "import surges" when either country has a global safeguard action in place, that is, when imports from one of the two parties are substantial, contribute importantly to the injury in the importing country and represent five to 10 per cent or more of total imports. In these circumstances, it would be open to the importing country to impose the global measure against the other party. That measure, however, would have to preserve the trend level of exports; it would have to provide for growth of those exports; and it would have to provide for compensation.

Arbitration of Disputes

Any dispute relating to the conditions for imposing a bilateral emergency measure, for including the other party in a global action or for the adequacy of compensation is to be the subject of binding arbitration after the action is taken. These provisions relating to emergency action will result in a more predictable climate for investors and the business community generally in both countries since they will operate under clear rules backed up by binding arbitration.

Antidumping and Countervailing Duty Procedures

Each country retains its right to apply its own trade laws with respect to antidumping and countervailing duties. This means, for example, that U.S. and Canadian producers maintain their right to obtain remedies against dumped or subsidized imports. As a result of the Agreement, however, either country will be able to seek review by a binational panel of the resulting decisions made by the national authorities in either country. The panel's decisions will be binding and will replace the current judicial review procedures in both countries.

The panel would determine whether existing national laws had been applied correctly in reviewing final antidumping and countervailing duty determinations. Panels can be formed at the request of either party. Besides bringing greater discipline to trade remedy laws, the dispute settlement mechanism will also provide for more expeditious review of a determination as compared to the present judicial systems. In addition, amendments to existing antidumping and countervailing duty laws will apply to the other country only if it is specifically named. Prior notification of such amendments must be given, and if they are deemed by either country to be contrary to the objectives of the Free Trade Agreement, a review by the binational panel may be requested.

The creation of a binational dispute settlement mechanism that brings greater discipline to the application of U.S. antidumping and countervailing duty laws is a major advance over the current system.

This is particularly important to Canadian manufacturers given the large volume of cases, especially on antidumping, that have been initiated over the past number of years with respect to goods traded between the two countries. This mechanism provides for the impartial application of each country's antidumping and countervailing duty laws.

No agreement was reached during the negotiations on rules and regulations on government subsidies and unfair pricing practices, despite strenuous efforts. The Agreement stipulates, however, that the two countries will establish a working group which will negotiate, no later than 1996, a substitute system of rules for dealing with government subsidies and unfair pricing practices.

As the Canadian Steel Producers' Association has commented "The Agreement has removed a great deal of uncertainty in terms of steel industry investment decisions, and they can look forward to an improved business climate." Officials of the Department of Regional Industrial Expansion, both at headquarters in Ottawa and in the regional offices, stand ready to assist Canadian firms to understand better U.S. trade legislation as it may affect their particular activity.

Government Procurement

In the last round of the General Agreement on Tariffs and Trade (GATT) negotiations, the Government Procurement Code was negotiated. It covers goods procured by various government bodies above a certain dollar threshold. The Agreement lowers that threshold between Canada and the United States from Can$238,000 (US$171,000) to Can$33,000 (US$25,000).[12] Above this value, Canadian and American suppliers will be treated equally for procurements by the federal government entities covered in the GATT Code, although both countries have reserved the right to exclude contracts directed to small business. Both countries have agreed to work together for greater liberalization of procurement practices both bilaterally and multilaterally. Furthermore, both governments have agreed to more effective and transparent procedures which will facilitate access to this important market. A bid challenge mechanism will permit suppliers who believe they have been treated unfairly to obtain an equitable and timely review of the procurement in question.

The Agreement does not affect procurement by provincial or state governments and their agencies. For Canada, 22 government departments and 10 agencies are covered. Procurement by certain key Canadian federal institutions is not covered. This is the case for the Departments of Transport, Communications, Fisheries and Oceans, all Crown corporations (except Canada Post and the National Capital Commission) and other Crown agencies. For the United States, 11 of 13 government departments are covered by the Agreement with the exception of the departments of Energy and Transport. A total of 40 U.S. governmental agencies, as well as NASA and the General Services Administration, are included. For both countries, Department of Defence procurements are covered within certain defined product categories such as vehicles, engines, industrial equipment and components and commercial supplies, but military and strategic hardware are excluded, as are procurements related to national security.

[12] With the implementation of changes to the GATT Procurement Code effective February 14, 1988, the GATT threshold value is now Can$213,000 (US$156,000).

Canadians have proved themselves to be competitive suppliers to the United States in a variety of products including vehicles, scientific apparatus, aircraft equipment, industrial machinery, plastic, rubber and leather products, electrical machinery and power generation machinery. The new opportunities opened to Canadian suppliers should provide a basis for Canadian firms to expand their sales to the United States Government through its common purchasing agent, the General Services Administration, as well as directly to other U.S. government agencies. An essential step will be for Canadian firms to know the U.S. government procurement system and ensure that they are on qualified sourcing lists. Officials of the Departments of Supply and Services, Regional Industrial Expansion and External Affairs are prepared to assist Canadian firms to take advantage of these new opportunities.

Investment

The Agreement's provisions on investment include the grandfathering of existing laws and policies and practices that are inconsistent with the new investment obligations. Existing investment policies for the oil and gas and uranium sectors, for example, will remain intact. Future obligations are based on a mutually beneficial framework of principles with the objective that investment can flow more freely between the two countries. The basic principle is that investors in either country receive treatment no different from that extended to domestic investors in each country, i.e., national treatment. Trade distorting performance requirements, such as increased exports, import substitution, sourcing requirements and/or domestic content levels, as a condition of investment will not be permitted under the Agreement. However, it is important to note that the Agreement does not limit Canada's ability to negotiate local employment, product mandates, technology transfer or research and development undertakings with investors. There must be the same treatment of U.S. investors as of Canadian investors.

With respect to Investment Canada's review of foreign takeovers, the threshold above which direct acquisitions will be reviewed will be increased to reach $150 million by the end of the phase-in period in 1992. The review of indirect acquisitions, that is the transfer of one foreign-controlled firm to another, will be phased out entirely over a three-year period, although Canada's new competition law will apply to ensure a healthy degree of competitiveness in the market.

Temporary Access for Business Persons

A major achievement for services and goods under free trade is the increased ease of cross-border mobility. The temporary access provisions for business persons will reduce impediments to the temporary entry by Canadian service industry personnel into the United States in support of service and goods exports. Measures affecting the movement of personnel have been among the most frequently cited sources of difficulty for commercial service exporters. The adoption of procedures to simplify cross-border travel for business visitors, professionals, traders and investors and to facilitate intra-company transfers will encourage increased activity on both sides of the border.

Standards

The Agreement builds on the GATT Standards Code covering technical regulations and standards to provide that these should not be used as disguised barriers to trade. The new rules do not inhibit in any way the capacity of either party to regulate standards for purposes of health and safety, consumer and environmental protection, or security. Under the Code, no country is prevented from taking such measures so long as they are not applied to cause arbitrary or unjustifiable discrimination between imported or domestic products. Nothing in the Agreement prevents Canada from requiring bilingual labelling of goods, for example, as long as the requirement exists for both domestic and imported goods. Both countries have undertaken to carry out additional negotiations to make standards-related measures and product approval procedures more compatible; to work toward common acceditation rules; and to facilitate the acceptance of each other's test data.

For many firms, especially those involved in areas such as health care products, processed foods, electrical appliances and the construction industries, norms and standards requirements imposed by the various jurisdictions between and within the two countries can constitute important obstacles to doing business in a normal commercial sense. Whatever justifications may exist for differing standards between jurisdictions, it is mutually advantageous for both Canada and the United States to take whatever steps possible to cooperate in reducing and removing barriers that impede efficient trade between the two countries. The Agreement establishes such a framework for the future.

Specific Industry Elements of the Agreement

The Agreement incorporates a number of provisions directed specifically to particular industries. Some, such as agriculture, forestry and energy, have been dealt with in separate publications.[13] The following is an overview of certain of these provisions as they relate to particular industries.

[13] See *The Canada-U.S. Free Trade Agreement and Agriculture: An Assessment*; *The Canada-U.S. Free Trade Agreement and Forestry: An Assessment*; and *the Canada-U.S. Free Trade Agreement and Energy: An Assessment.*

The Automotive Industry

The Agreement will govern trade in motor vehicles, original equipment parts, aftermarket (replacement) parts and tires. Tariffs on vehicles, original equipment parts and tires will be phased out over 10 years provided producers meet the new automotive rules of origin. The tariffs on aftermarket parts will be eliminated by 1993.

The Auto Pact will remain in effect for existing Canadian participants as listed in the Agreement. The Agreement limits the benefits of duty-free entry from third countries to companies which currently qualify or will qualify for Auto Pact status during the 1989 model year.

Stricter new rules of origin for duty-free trade in vehicles under the Agreement (50 per cent Canadian or U.S. content in terms of direct production costs) will create a significant incentive for increased sourcing of North American parts.

Canadian safeguards have been maintained under the Agreement. Canadian Auto Pact companies may continue to import vehicles and parts duty-free from the United States and offshore in return for meeting Auto Pact production safeguards. Canadian parts producers will enjoy duty-free access to the U.S. market. Provisions within the Agreement permit Canada to continue, until 1996, those duty remission arrangements negotiated with certain manufacturers related to production value-added commitments. Exports to the United States will no longer be eligible under the export-based duty remission programs as of January 1, 1989, and to third countries as of January 1, 1998. Under the Agreement, Canada has also agreed to terminate the prohibition on the entry of used and second-hand vehicles within five years.

A select panel of informed persons from both countries will be established to assess the state of the North American industry and to propose public policy measures and private initiatives to improve its competitiveness in domestic and foreign markets.

Textile and Apparel Industries

Tariff elimination under the Agreement is scheduled to be phased in over a 10 year period for both the Canadian and U.S. apparel and textile industries.

As a general rule, apparel made from third-country fabrics is not eligible for duty-free treatment under the Agreement. However, the Agreement does contain a provision whereby, in any calendar year, Canadian apparel exports to the United States made from third-country non-woollen fabric up to 50 million square-yard-equivalents plus up to 6 million square-year-equivalents of garments made of woollen fabrics will qualify for the Agreement's preferential tariff treatment. These levels are substantially higher than current exports. The Canadian duty-free limits (or tariff rate quotas) on similar apparel imported from the United States are 10.5 million and 1.1 million square-yard-equivalents, respectively.

Canadian apparel manufacturers whose exports are subject to the most-favoured-nation (MFN) rate because they do not meet the Agreement's rules of origin will continue to benefit from duty drawback provisions — under which duties on imported fabric are refunded on export — for an indefinite period under the Agreement. Under another provision, both countries have agreed to move toward harmonizing their regulations in such areas as flammability and labelling.

Since the announcement of the Agreement, extensive consultations have taken place between the Government and the two industries with a view to seeking solutions to the problems facing firms in these sectors and strengthening the competitive positions of the two industries in both domestic and foreign markets. The long-standing problems associated with these industries, primarily due to significant import penetration and high levels of tariff protection, required an imaginative approach which recognized that the key to the future was fundamental improvements in their ability to compete. The Agreement served to bring these issues to the point where solutions to high input costs of textile and apparel firms had to be found and firms encouraged to restructure their operations in order to become more efficient and competitive.

On March 22, 1988, the Honourable Michael Wilson, Minister of Finance, announced a three-part program of tariff relief measures designed to achieve these objectives. The program included immediate tariff reductions on specialty fabrics, new duty remission programs and a plan to reduce textile tariffs in the future to levels comparable with those in other countries. When fully implemented, these measures will not only help firms in the affected sectors but ultimately will see Canadian workers and consumers as the main beneficiaries. Mr. Wilson noted that "in order to ensure that Canadian companies which use significant amounts of textiles can compete on an even footing with companies based in other countries, the Government proposes to reduce Canada's textile tariffs over the next ten years to levels comparable with those of other industrialized countries." The new Canadian International Trade Tribunal, to be formed later this year, will be asked to recommend how Canada's textile tariffs can best be brought into line with those of other industrialized countries.

Food Products

The Agreement is important for agriculture and food products, particularly in the currently undisciplined world trading environment for agricultural products. The United States is Canada's major export market and is a primary key to the future growth of Canada's agricultural and food industries. All agricultural tariffs are to be progressively eliminated, most over 10 years. There is a special provision for fresh fruits and vegetables for the next 20 years, which would allow special temporary import measures to protect Canadian producers against abnormally low import prices.

In the past, Canada has used import controls in support of supply management systems in certain segments of the agriculture industry. Such controls currently apply to eggs, dairy products, poultry and grains. The Agreement preserves Canada's existing GATT rights in this regard. It also permits Canada to maintain existing regimes and to introduce new regimes which may be required.

Retaining supply management, while reducing end-product tariffs, has the potential to put some food processors at a cost disadvantage. This relates to the extent that the supplies used in making their products cost more than those of their American competitors. A very large portion of the primary-product cost problem for Canadian producers stems from the two-price system for wheat. The Government has indicated that modifications in the two-price wheat policy will be introduced so that processors will be able to compete.

Manufacturers of further-processed poultry products have expressed concerns about being able to compete against their American counterparts if tariffs are eliminated for their processed products and if Canadian input costs remain higher than those in the United States. While most poultry products are protected by import controls, small amounts of chicken (estimated at around two per cent of Canadian production) and turkey are used in products not included under import controls. Consultations are ongoing to find a solution to the needs of these processors.

The agricultural sector in Canada and the United States are very similar although each country has developed distinctive agricultural marketing mechanisms. Canada protected its marketing system in the negotiations and obtained a sufficiently long phase-in period for tariff changes to mitigate any adverse affects that may occur during the transition period. The Government and the Advisory Council on Adjustment will be monitoring developments in this sector. Agriculture issues are discussed in the paper *The Canada-U.S. Free Trade Agreement and Agriculture: An Assessment.*

Alcoholic Beverages

Within the alcoholic beverage sector, spirits and wine will be granted national treatment with regard to listing and distribution, with certain exceptions for B.C. wineries, private wine outlets in British Columbia and Ontario, and grocery stores in Quebec.

For spirits, Canada will immediately eliminate all discriminatory price mark-ups, except for those which represent a reasonable cost-of-service. The differential price mark-ups on wine will be eliminated over seven years.

There will be an immediate elimination of measures which required that domestic distilled spirits be blended with bulk imported U.S. spirits prior to bottling.

With the exception of the removal of tariffs over a period of 10 years, existing practices in the beer industry will be largely unaffected. However, such practices are grandfathered under the Agreement and cannot be made more restrictive against imports. As well, the dispute settlement provisions will apply to beer.

Some adjustment will be required by the grape and wine sectors. Consultations are ongoing between federal and provincial governments, as well as industry groups, to recommend steps that will enhance the industries' competitiveness.

5

Conclusions

Canadian manufacturing industries are dynamic, diverse and operate in an international environment which in recent years has become far more protectionist, more competitive, more rapidly changing and generally more difficult to predict and control. Canada, along with other trading nations, has sought within this environment to keep up with its competitors in such critical areas as productivity and innovation. The struggle in the coming years is unlikely to diminish in intensity or scope.

The Canada-U.S. Free Trade Agreement constitutes a new and positive dimension to the business environment. It will provide Canadian firms with more assured market access, lower costs, and a more secure trading position while requiring industry to meet new standards of competition. Each industry will respond to these opportunities in its own way, and each must assume responsibility for adjusting and competing in the international economy through intelligence, energy and dedication.

Productivity in manufacturing is clearly a major factor in international competitiveness and in achieving gains in Canada's standard of living. Canadian productivity has been improving, but we continue to lag behind our major competitors, including the United States. One of the principal reasons for this is the small size of the Canadian market and the relatively small size of manufacturing facilities to service that market. Improved and more secure access to the large U.S. market, together with good management, skilled labour and the wealth of Canadian natural resources, provide the framework and motivation for Canadian industry to make the necessary changes to bring about a better productivity performance to compete at home, in the U.S. market and in markets in the rest of the world.

The impact of the Agreement, although positive overall, will vary from sector to sector and among firms within sectors and industries. Not all firms have the same potential to exploit the opportunities for improvements in scale and efficiency that will be presented and there will be differences in the speed with which various sectors and firms can adapt to new circumstances. The willingness and determination of Canadian industry and labour to exploit new opportunities and meet the challenges will be key factors. Some of the opportunities with the highest potential will become more visible only as the Agreement is implemented and Canadian industry takes advantage of them.

The Government is very conscious of the fact that the impact of the Agreement will be uneven as between firms and industrial sectors. This situation will be monitored closely both by government departments and by the Advisory Council on Adjustment established by the Government for this purpose.

The Canadian business community has generally been strongly supportive of both the Agreement and the adaptability of Canadian industry to the changing economic environment. The President of the Conference Board of Canada made the following comment in a statement on March 10, 1988: "Our success in achieving the potential benefits of the Agreement will depend on the ability of Canadian business to adapt to the new trading environment... We are all going to have to work hard to ensure that our products and services are priced correctly and have the right quality... to get our costs in line with our competitors' costs, to get productivity up and to get quality where it needs to be..." Further, the President of the Canadian Chamber of Commerce noted on March 15, 1988: "the improved access to the huge U.S. market that will flow from the Agreement will make it possible for Canada to build larger plants, or to specialize smaller plants into fewer product lines. The free trade deal will also provide a strong motivation to make the necessary changes and to improve productivity."

As with any change in the economic climate, the Agreement will be factored into the decision making of Canadian industry and government, and the impacts will likely be widespread. Canadian companies will acquire a real advantage in U.S. markets in comparison to other countries. Generally, Canadians can expect greater technological flows, faster adaptation of new technologies, new investment in Canada to take fullest advantage of the whole North American market, and enhanced productivity from longer and more consistent production runs. At the same time, the competitive environment will become more intense and Canadian industry will have to take the fullest advantage of the opportunities provided by the Agreement to prosper.

The way in which each industry is affected and the way in which it adapts will be as unique as the industry sectors themselves. Industries which are already major exporters will likely be able to adapt and take advantage of the Agreement most quickly. Other industries will have to learn to compete more intensively for both the domestic and the more open U.S. market. The opportunities and pressures to adjust will differ from sector to sector, industry to industry and, indeed, from firm to firm. Only disaggregated assessments of the various sectors can provide a reasonable guide to the nature and scope of the impacts of the Agreement.

Over the coming months, the Department of Regional Industrial Expansion will publish industry profiles covering over 120 individual sectors of the Canadian economy. They will be made widely available with a view to furthering understanding of the opportunities and responsibilities which face Canadian industry, not just in terms of the Agreement, but in the context of the entire gamut of factors which will affect Canada's future prosperity.

By understanding better the nature of our industries, the environment in which they are operating and the competition they face, all of the partners in the Canadian economy will have better foundations for planning and building the future. One of the key activities of the new Department of Industry, Science and Technology will be to promote such understanding through ongoing consultations with the participants in the Canadian and international industry, labour, science and technology communities. The industry profiles will represent just one of the products and services which the new department will offer to support the stable and effective growth of the Canadian economy in the coming years.

Appendix A

Elements of the Canada-U.S. Free Trade Agreement — Synopsis

On October 4, 1987, Canada and the United States agreed in principle on the elements to be included in the Canada-U.S. Free Trade Agreement. The legal text of the Agreement was tabled in the House of Commons on December 11, 1987. The main elements of the Agreement are the following:

Tariffs and Rules of Origin

All bilateral tariffs will be removed, starting January 1, 1989 when the Agreement enters into force, on the basis of three formulas: a) some will be eliminated immediately; b) some will be eliminated in five equal annual steps; c) some will be eliminated in 10 equal annual steps.

Goods which originate entirely in Canada or the United States will qualify for the new tariff treatment. Goods incorporating offshore materials or components that have been sufficiently changed to warrant a change in tariff classification will also qualify. In certain cases, goods will need to incur 50 per cent of manufacturing cost in either country before they qualify.

Quantitative Restrictions

GATT provisions governing quantitative restrictions on imports or exports will continue to apply. Existing quantitative restrictions will be eliminated, either immediately or according to an agreed timetable, or will be grandfathered. With respect to export measures for short supply or conservation reasons, the Agreement goes beyond the GATT to allow for proportional access to supplies on a historical basis without any price discrimination being imposed by governments. The Agreement provides for co-operation on implementing any such export measures to prevent diversion to third parties.

Technical Standards

The two governments agree to build on the GATT Standards Code. They will endeavour to make federal standards more compatible in order to reduce technical barriers which interfere with trade, while still protecting health and safety, environmental, national security and consumer interests. Increased compatibility of standards at the state, provincial and private levels will be encouraged.

Agriculture

Both governments agree to eliminate tariffs on agricultural trade within 10 years and not to use direct export subsidies on their bilateral agricultural trade. There is a special tariff provision for fresh fruit and vegetables which enables the temporary reimposition of current tariffs under certain circumstances. Both governments will exclude each other from their respective meat import laws, and Canadian import licences for wheat, barley and oats will be eliminated once grain support levels are equivalent in both countries. Canada will be exempt from any future U.S. quantitative restrictions on products containing 10 per cent or less sugar. The Agreement retains the Canadian supply management and marketing board system and provides for a slight increase in Canadian import quotas for poultry and eggs. Both countries agree to reduce technical regulations which interfere with trade, while still protecting human, animal and plant health.

Wine and Distilled Spirits

The two governments agree to provide national treatment in listing and distribution practices, with certain exceptions for B.C. wineries and private wine outlets in British Columbia and Ontario. Canada will eliminate the price mark-up differential between Canadian and U.S. wines over a seven-year period, and immediately for distilled spirits. The Agreement does not apply to current restrictions on beer. All other price discrimination in Canada and the United States will be eliminated immediately.

Energy

Both governments agree to prohibit most restrictions on energy exports and imports, subject to existing GATT reasons for which such restrictions may be applied, including those related to supply or conservation. In the event of short supply export controls, however, the exporting country will allow for access up to the historical proportion for energy commodities and will not impose higher prices for export. As with the general quantitative restrictions, there is no obligation to supply.

Automotive Trade

The Agreement retains the Auto Pact and its safeguards for current participants. Canadian value-added commitments by the Auto Pact manufacturers are not changed in any way by the Agreement. Rules of origin in the Agreement encourage the sourcing of more parts in North America. Automotive duty waivers and remissions will be phased out, as will the Canadian embargo on used vehicle imports.

Emergency Measures

Both governments agree to more stringent standards in the application of safeguard measures (quotas or restrictions) to bilateral trade. Global import quotas or surtaxes imposed by either government under Article XIX of the GATT will exempt the other party if its shipments are not substantial (less than five to 10 per cent of total imports). During the period of transition of this Agreement, if imports from the other country alone are a substantial cause of serious injury, duty reductions provided by the Agreement may be suspended for a maximum of three years,but only one such action per product can be taken.

Government Procurement

Canada and the United States agree to expand access of each other's suppliers to purchases by governments at the federal level, building on the GATT Government Procurement Code. The coverage of the Code will be broadened to purchases between US $25,000 (about Can $33,000) and US $171,000 (Can $238,000). Further bilateral negotiations will be resumed once the GATT Code is renegotiated.

Trade in Services

The Agreement provides, for the first time, a set of disciplines covering many service sectors. In the future, both governments will extend the principles of national treatment, right of commercial presence and right of establishment, consistent with the investment chapter, to each other's providers of services. Sectoral annexes spell out these obligations for Tourism, Architects, and Computer and Enhanced Telecommunications Services.

Financial Services

The Agreement preserves the access that Canadian and U.S. financial institutions have to each other's markets and opens new areas of competition in securities underwriting and banking.

Cultural Industries

Cultural industries are explicitly exempted from the Agreement.

Temporary Entry for Business Purposes

Business persons trading in goods and services will benefit from improved and easier border crossing.

Investment

The two governments agree to provide national treatment in future to each other's investors and will not impose export, local content, local sourcing or import substitution requirements on each other's investors. Existing laws, regulations and published policies are grandfathered. The Canadian threshold for the review of U.S. direct acquisitions will be raised to Can $150 million by 1992. Review of U.S. indirect acquisitions will be phased out over the same period.

Dispute Settlement in Antidumping and Countervail Cases

A dispute settlement mechanism will guarantee the fair application of respective antidumping and countervailing duty laws. Either government may request a binational panel to review final antidumping or countervail determinations. Panel decisions will be binding. New legislation will not apply to the other country unless it is so specified. A binational panel may review such proposed legislative changes and issue opinions. Both governments will attempt to develop and implement a substitute system of countervail and antidumping laws within seven years.

Institutional Provisions

A Canada-United States Trade Commission will be established to supervise the implementation of the Agreement and resolve disputes. The two governments further agree to binational panel procedures at the insistence of either country to make recommendations for the settlement of disputes regarding the interpretation and application of the Agreement in other than antidumping and countervail cases. They will refer such disputes to binding arbitration in the case of safeguards and, with the agreement of both governments, may also do so in other cases.

Appendix B

Industry Profiles

The following is the list of industry profiles currently under preparation by the Department of Regional Industrial Expansion.

Aerospace and Defence

Aerospace Manufacturing Sector
The Defence Electronic Sector
The Space Industry

Information Technologies Industries

Computer Software, Systems and Services Industry
Computers and Office Equipment
Consumer Electronics
Instrumentation Sector
Telecommunications Equipment

Resource Processing

Aluminum Smelting
Book, Writing and Coated Paper (Fine Papers)
Boxboard
Cement and Concrete
Containerboard
Converted Paper Products
Converted Wood Products
Copper Smelting and Refining
Corrugated Containers
Exterior Wood Based Panel Products
Ferrous Foundries
Fertilizer Sector
Folding Cartons and Set-up Boxes
Hardwood Lumber
Industrial Rubber Products Industry
Interior Wood Based Panel Products
Kraft Papers
Lead and Zinc Smelting and Refining
Market Pulp
Metal Stamping, Pressing and Coating
Newsprint and Uncoated Groundwood Printing Paper
Nickel Smelting and Refining Sector
Non-ferrous Semi-fabricating Industry
Paints and Coatings Industry
Petrochemicals
Pharmaceuticals and Medicines
Plastics Products
Primary Glass Sector
Primary Iron and Steel
Sanitary Tissues
Soaps, Detergents and Cleaning Compounds
Softwood Lumber
Synthetic Resins Sector
Toilet Preparations
Wire and Wire Products
Wood Shakes and Shingles

Service Industries and Consumer Goods

Advertising
Baking Industry
Banking
Biscuits
Brewery
Canadian Freight Forwarding Industry
Canadian Retail Food Sector
Canadian Trading Houses
Cane and Beet Sugar Processors
Clothing Sector
Commercial Education
Commercial Printing
Confectionery
Dairy Products Industries
Dehydrated Alfalfa Industry
Distillery Sector

Feed Industry
Fishery Products Industry — Atlantic Groundfish
Fishery Products Industry — Pacific Coast
Fishery Products Industry — Atlantic Pelagics
Fishery Products Industry — Atlantic Shellfish
Flour Milling Industry
Fruit and Vegetable Processing Industry
Fur Apparel
Household Furniture
Insurance Industry
Jewellery
Leather Tanning
Malting Industry
Meat and Meat Products Industry
Motion Pictures
Non-Rubber Footwear
Office Furniture
Oilseed Crushing Industry
Pet Food Industry
Poultry and Egg Products Industries
Publishing
Retail Trade
Soft Drink Manufacturers
Sound Recordings
Sporting Goods Industry
Starch Industry
Textiles
Tobacco Products Industry
Toys and Games Industry
Wholesale Trade
Winery

Surface Transportation and Machinery

Agricultural Machinery
Architectural Service Industry Sector
Auto Parts
Automotive Tires and Tubes
The Bus Sector
Construction Industry
Construction Machinery
Consulting Engineering
Electric Heating
Electrical Products Industry
Electrical Wire and Cable Industry
Environmental Equipment
Fluids Handling and Mechanical Power Transmission Equipment Sector
Food Processing Equipment
Forestry Equipment
Guided Urban Mass Transit
Heating Equipment Industry
Industrial Electrical Equipment Sector
Major Appliances
Machine Tools and Tooling
Materials Handling Equipment
Metal Rolling Mill and Welding Equipment
Mining Equipment Sector
Motor Vehicles
Oil and Gas Field Equipment
On- And Off-Highway Medium/Heavy Duty Trucks
Power Generation Equipment Sector
Pulp and Paper Equipment Sector
Real Estate Development Sector
Shipbuilding and Ship Repair Industry Sector
Small Portable Electrical Appliances
Specialty Vehicles
Surveying and Mapping Services