

Functional free-trade agreements relate to governmental non-tariff barriers. Comprehensive functional free-trade agreements covering entire sectors could establish the environmental preconditions but they have no necessary implications for adoption of world product mandate strategies.

CONCLUSIONS

This section assesses the relative importance of public policies that have an impact on our trade patterns in the first sub-section. The second sub-section assesses the impact of specific economic determinants governing our patterns. A brief concluding sub-section summarizes the answers to the questions concerning MNE responses to reduced trade barriers between Canada and the United States that were posed at the outset of the study.

Public policies and Canada's international trade patterns

Public policies that have impacts on our trade patterns include taxation, exchange rate management, labour legislation and competition legislation. Each one of these policies has an independent impact on our trade patterns. Their relative importance depends upon the relationship between the prime objective governing the uses of each policy instrument and the consequences of this use for Canada's specialization in certain economic activities.

Taxation policy is the most important public policy instrument influencing our trade patterns. Tariffs are a tax on imports so tariff policy is an instrument