

the Canadian tariff was higher than that of the United States.

3.2 Reductions In Non-tariff Barriers

Non-tariff barriers can take many forms such as domestic content rules or discriminatory tax rates. The effects of these policies are quite complex but, for the purposes of this study, estimates provided by the Department were assessed in terms of tariff equivalents, which again are phased-out over 1988-1992. As is detailed in the following tabulation, the direct effect of the United States removal of non-tariff barriers is more important than reduction of tariffs. The reduction in Canadian tariffs is equivalent, by 1992, to the direct reduction in the overall Consumer Price Index of 0.5 per cent. Assuming that removal of Canadian non-tariff barriers will also be passed on to consumers in the form of reduced prices because of increased supply competition further reduces overall prices by 0.25 per cent. This implies increased real incomes for Canadian households, but reduced profit margins for a wide range of Canadian producers. The Department emphasizes, however, that the estimates provided for non-tariff barriers are preliminary.