

Issue Posed

You have informed us that some analysts believe that Canada now faces a decision as to whether to attempt to preserve its domestic market from foreign competition or whether to attempt to become more integrated with the international market. In the opinion of these analysts, unilateral protection of the domestic economy through tariff and nontariff barriers would ultimately limit Canadian industry to the relatively small domestic market, while integration with the international market through the reduction of trade barriers would give Canadian industry the opportunity for much greater growth.

However, these analysts recognize that the reduction of trade barriers would also make Canadian industry more vulnerable to foreign competition in the domestic market. Therefore, before reducing barriers that serve to protect the domestic industry, it is essential to ensure that the Canadian economy is poised to experience the benefits, as well as the costs, of expanded international trade.

According to these analysts, the United States is important to the Canadian economy not only as a market for sale of Canadian products, but also as a base for