

- a bilateral agreement establishing principles and procedures for trade negotiations between the United States.

The study is arranged in four sections. The first section develops a simple conceptual framework to explain the logic of changes in foreign control of domestic equity. The second section uses this framework to predict changes in the level of foreign control in Canadian firms resulting from each policy option. Section three investigates two MNE strategies for Canadian operations in response to reduced trade barriers: rationalization, which is updating Canadian production techniques to the most advanced standards, and world product mandating, which is mandating the Canadian subsidiary with exclusive rights to worldwide production of a specific product. A concluding section investigates the impact on our trade patterns of various domestic economic determinants and domestic policy determinants that are independent of foreign direct investment.

The Framework

This section develops a simple conceptual framework to explain the logic of changes in foreign control over domestic firms. This framework is then used to identify types of MNEs likely to be affected by changes in our trade relations with the United States.

Conceptual frameworks are logical constructions or thought experiments. They identify the fundamental principles of the relevant systematic economic causes and effects associated with observed events. Frameworks do not describe