

free-trade agreement thus implies a need for procedures to negotiate removal of non-tariff barriers.

A bilateral agreement establishing principles and procedures for negotiating removal of non-tariff barriers is a concomitant of a functional free-trade agreement. The principles and procedures must incorporate a definition of what constitutes a non-tariff barrier. The agreement must also clarify what constitutes permanent changes to export and import patterns as they relate to transitory labour market adjustments.

The relative importance of foreign ownership considerations could also be specified in the principles and procedures for bilateral reductions in non-tariff barriers. Since the functional free trade area concept does not relate to specific sectors the net impact on levels of foreign ownership is uncertain. This uncertainty makes it virtually impossible to develop specific implications for other public policies that would result from a functional free-trade area.

Foreign corporate strategy responses to reduced trade barriers

The form of foreign control within Canadian industry will change with each choice for our bilateral trade policy with the United States. The first sub-section predicts changes in the form of foreign direct investment from branch plant operations to rationalized operations incorporating the most advanced production techniques. The second sub-section predicts changes from branch plant operations to operations with world product mandates for exclusive worldwide production of a specific output.