prepared for the Canadian Import Tribunal by a team from the Institute for Research on Public Policy, under the direction of A.R. Moroz, the following conclusions were reached as to the effect of removal of the Canadian import quota during the years 1978-83:

> The retail price of imports would be lower by 7.59 per cent and . . . consumption of imports (would increase) by 8.69 per cent; the price of domestic footwear would be the same but domestic footwear production would be marginally lower by 1.52 per cent; employment in the domestic footwear industry could be marginally lower by 1.27 per cent; and total Canadian footwear consumption would be higher by 1.67 per cent.

The study goes on to emphasize the "relative ineffectiveness" of the quota in protecting domestic footwear and employment, and notes that the depreciation of the Canadian dollar "is the single most important reason for the moderate impact of the quota on import quantities and prices".[21] In terms of welfare costs and benefits, which is nearer to our focus here, the study asserts that for 1978-83, at rates per year, the following would have been the effect of removing the quota:

> Consumers would be better off and consumer surplus would increase by $38.44 million; quota holders would lose $35.83 million . . . ; overall, the economy gains a static welfare benefit of $1.67 million . . . individual workers laid-off . . . would actually experience income gains, averaging 81,578 dollars . . . in the process of labour market adjustment; the adjustment costs borne by the economy as a whole as a result of worker lay-offs would be positive in the amount of $0.394 million . . . but quite small relative to the gains in consumer surplus which amount to $7.33 million . . . [22]

The reason why it is asserted that workers would experience income <u>gains</u> is that workers who are re-employed in other industries are paid higher wages.[23] Without necessarily agreeing with these calculations, it is clear that the impact of this particular quota was, in the main, to enrich quota holders.

The USITC[24] has also investigated the impact of export restraint arrangements on steel; the study related to the VER's by Japan and the European Community in the period 1969-75, and is not related to the later trigger price mechanism (TPM) and the later anti-dumping and countervailing duty actions which led, in turn, to quantitative arrangements with the European Community, nor to the "escape clause" actions which led in turn to the negotiation of so-called steel "surge control" mechanisms — and the tightening of a variety of contingency protection measures.[25] The ITC analysis shows that the early VER's for this industry had considerable impact; for one year (1970) the reduction in imports was almost 33 per cent, domestic prices would have been 3.8 per cent lower in the absence of the VER's, but there was relatively little effect on domestic production. "On the average, the VER's saved 19,117 jobs per year."[26] (The ITC summary of the results of VER's (VRA's) for steel, a fairly typical case of the use of this device, is reproduced as an Annex to this chapter.) What the ITC study does not do is consider the impact of the VER's on industrial structure, on concentration in an already relatively concentrated industry, nor the impact on steel-using industries. All these would be necessary if one were to be able to