

FOREWORD

Following publication by the C.D. Howe Institute of Taking the Initiative: Canada's Trade Options in a Turbulent World in May 1985, it became clear that the implications of a comprehensive trade agreement with the United States for Canada's economic policies required further examination. Questions had been raised about what freer bilateral trade would imply for Canada's cultural, social, tax, expenditure, and monetary policies; about the implications for Canada's economic relations with third countries; and about the impact on such sectors as agriculture and the cultural industries where regulatory policies are often intertwined with trade barriers.

As part of a larger study by the federal government of the implications of a comprehensive trade agreement with the United States, the C.D. Howe Institute was requested to study these questions of policy harmonization.

The purpose of the study was twofold. First, to assess how Canadian policies might develop in the absence of a bilateral trade agreement. Second, to assess as accurately as possible the pressures for harmonization of domestic policies that might arise at the bargaining table or after the conclusion of negotiations.

The Institute commissioned papers to examine specific policy issues and to examine questions pertaining to particular industrial sectors.

Professor Donald Brean, of the University of Toronto, analyzed the implications of such an agreement for tax, public spending, and subsidy policies. Murray Smith, Senior Policy Analyst, C.D. Howe Institute, examined the implications for the conduct of Canadian commercial policy. Professor