

## 5 QUALIFICATIONS TO RESULTS AND CONCLUSIONS

### 5.1 Qualifications

When interpreting these results, there are a number of points which should be kept in mind. The tariff data which were used are the maximum allowable tariff rates rather than actual, effective rates, which means there is a slight upward bias.

It was also assumed that free trade between the United States and Canada had no effect on the United States economy. This means that the positive effects on Canadian exports of an increase in United States growth is missed. Also, it is assumed that the United States producers do not respond to the lower prices of Canadian producers. It is also important to note that if free trade is successfully implemented between Canada and the United States, then an international environment would exist for multilateral free trade which would have a positive effect on Canada.

In many cases the pricing behaviour of the various industries is difficult to predict. It is generally known what direction prices will move in a free trade environment but the magnitude is very difficult to predict with any degree of precision. As well, the possibility exists that many firms will simply be driven out of business in the face of direct competition from the United States. In the long run, many of the branch plant operations which are located in Canada only because of trade barriers may shutdown as operations are absorbed by the parent company.

The effect on productivity may be low. Because of the

