

economy through tariff protection were partly motivated by the objective of diversifying employment opportunities by expanding the manufacturing sector. Innovations in economic policy after the 1930s broadened the governmental policy tools available for job creation and stabilizing the level of employment. Tariff barriers are now regarded as impediments to job creation and industrial re-structuring rather than as stimulants.

The conceptual framework indicates that tariffs are a secondary influence on the conditions necessary for MNEs. Moving from logical relationships to observed relationships we can compare the pattern in the sectoral incidence of tariffs with the sectoral incidence of foreign direct investment. Exhibit 1 displays percentages of foreign ownership with effective tariff protection for 20 manufacturing sectors in Canada.⁷ If tariff protection is an important cause of foreign direct investment, the pattern of sectoral tariff incidence of tariffs should mirror the pattern in sectoral incidence of foreign control across all 20 sectors.