* a Canadian federal tax surcharge is levied on personal income equivalent to the direct loss of customs revenues,

* the Bank of Canada targets on maintaining the same "real" interest rate as in the base case,

* and the exchange rate reacts endogenously.

2. Non-tariff Barrier Impact (CASE II)- This case assumes:

   * a Canadian reduction of non-tariff barriers,

   * a reduction of United States non-tariff barriers,

   * and the same private and public sector price, fiscal, and monetary reactions as in the case above.

3. Combined Impact of Tariff and Non-Tariff Barrier Reduction (CASE III)- This case combines the assumptions of the previous two cases.

4. Combined Impact of Tariff and Non-Tariff Barrier Reduction with Improved Returns to Scale (CASE IV)- TIM assumes constant returns to scale of production; thus, while capital and employment requirements change in the above three cases, these are responsive to cyclical, relative price, and policy changes exclusively. To compensate for this assumption of the model, this case, which we treat as the main impact case for purposes of description, assumes:

   * CASE III assumptions

   * there are selective positive exogenous changes to industry investment as the mechanism that companies use to introduce new production processes, and

   * there are disembodied technology benefits in the form of direct employment reductions per unit of output. It is assumed that this process is achieved in 1988-1997.

   The provincial impacts of this case are reported.

5. Impact If United States Pursues Protectionist Policies (CASE V)- In this case, it is assumed that the United States introduces increased protectionism in 1988-2005, equivalent to a tariff increase that would raise the United States tariff level to three times higher than that which currently prevails. This is equivalent to a little more than a 10 per cent import surcharge. This reduced United States economic activity, and Canadian economic activity responds