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tariff barriers such as import quotas and preferential purchasing practices by federal governments. As is common in quantitative estimates of international trade barriers, this analysis is limited to the protection provided by trade barriers to the goods-producing industries of the economy; barriers to trade in services are not covered. As substantial difficulties exist in defining subsidies precisely and comparably across countries, they are also not considered in this quantitative analysis.

The average tariff rates used in the calculations of barriers to Canada-U.S. trade reflect the cuts made between 1979 and 1987 under the Tokyo Round. To obtain a measure that is comparable to tariff rates, non-tariff barriers are expressed in "tariff-equivalent" units. Tariff equivalents are defined as the tariff rates that would have the same effect on import prices as the non-tariff barriers. Annex 2 provides more details on the measurement of the Canada-U.S. trade barriers.

Chart 6 shows a comparison of the average rates of price protection provided to goods-producing industries in Canada and the United States. The rate of price protection is defined as the potential increase in domestic prices made possible by the imposition of a trade barrier. The overall rate of price protection provided to Canadian goods-producing industries vis-à-vis imports from the U.S. currently averages 6.1 per cent. The comparable rate of price protection provided to U.S. producers against imports from Canada is 4.7 per cent.

Tariffs are the most important bilateral trade barrier in both Canada and the United States, as Chart 6 indicates. In Canada, tariff rates average 4.5 per cent and account

for three-quarters of the total price protection for the goods-producing industries. Tariff rates average 2.8 per cent in the United States and account for three-fifths of the price protection provided to goods-producing industries. Quantitative restrictions are slightly more important in the United States than in Canada, producing a 1.7-per-cent rate of price protection in the United States compared to 1.4 per cent in Canada. Preferential federal government purchases of non-defence goods add another 0.2 percentage points to the average rates of price protection in both Canada and the United States.

Chart 7 provides a comparison of the structure of protection in both countries. Almost half of goods production in Canada is shielded from foreign competition by minimal trade barriers (2.5 per cent or less), compared to approximately 40 per cent in the United States. Barriers in excess of 10 per cent apply to approximately 15 per cent of goods production in the two countries. The biggest difference in the trade protection structures between Canada and the United States occurs at price protection rates in the range of 2.5 to 5.0 per cent: about 35 per cent of U.S. goods production falls in this price protection range, compared to about 5 per cent for Canada.

Table 2 shows the average rates of price protection for 30 industries in Canada and the United States. As can be seen, protection levels vary greatly across industries in both countries – price protection rates range from a low of zero to a high of 23 per cent in Canada, and from 0.3 to 21 per cent in the United States. It is interesting to note, however, that industries which