interdependence. Trade barriers are policy instruments that impose costs on domestic consumers by restricting domestic market access of foreign producers. These restrictions on choices in domestic product markets have secondary implications for input markets. They can raise the price of domestically produced output to induce foreign owners to produce output domestically rather than export over trade barriers. Hence, restrictions on international movement of outputs may induce international movement of inputs. Tariff barriers drive a wedge between domestic prices and international prices that can be sufficiently large to make domestic inputs interdependent with foreign inputs and ownership.

International interdependence induced by tariff barriers is of secondary importance in causing MNEs. Nonetheless, industrialization and foreign direct investment were important objectives of Canadian import policy up to the 1930s. In 1879 Sir Leonard Tilley introduced the high tariffs that defined the National Policy with the famous remark that "the time has arrived when we are to decide whether we will simply be hewers of wood and drawers of water".[5] Tariff restrictions were initially conceived as an instrument to industrialize the domestic economy. Tariffs were the major instrument of national economic policy until the great contraction of 1929-33. In 1930 the Canadian government responded to the severe international contraction in economic activity by raising tariffs to unprecedented levels to stimulate domestic output and employment. Tariff increases to expand domestic employment also attracted foreign direct investment. It has been estimated that of the 1350 companies in Canada controlled or definitely affiliated with American firms in 1934, 26 per cent were established or acquired between 1930 and 1934.[6] Attempts to industrialize our