

The fourth part is a general summary of the paper. Overall, the paper concludes that the potential medium-run impact of broad bilateral trade liberalization is positive and large. A broad trade liberalization agreement would provide the conditions for a healthier, more productive economy and greater and better job opportunities. The sectoral approach offers small positive benefits if the right sectors are chosen; however, a number of difficulties with this approach are indicated. While tariffs still remain high in a number of product lines, much of the effort in any potential bilateral trade negotiations will be directed at non-tariff barriers. The functional approach provides a mechanism by which to deal with the complex nature of most non-tariff measures, although it is suggested that the potential medium-run net economic benefits are likely to be larger if a number of non-tariff barriers are dealt with as a package. Turning to the areas outside of the strict confines of trade theory, the general assessment is that there are a number of major gaps in our knowledge of the process of structural adjustment in both capital and labour markets, the regional impact and the microeconomics of corporate behaviour. Since these factors can affect significantly the ability of the economy to realize the potential medium-run benefits, they raise important research and policy questions.

1.1 The Global Economic Environment

Although Canada and the United States are each other's major trading partner, the evaluation of the economic consequences for Canada cannot ignore the global economic environment. Likewise, Canada and the United States