

Table 2

Manufacturing Industries which Lower Prices in the
Face of Import Competition

Tobacco
Rubber
Leather
Textiles
Knitting and Clothing
Furniture
Electrical Products
Chemical
Other

On the export side, for most primary commodity groups (including, general agricultural and mining goods), it is assumed that Canadian exporters are price takers who continue to sell at the given United States final consumer price after United States tariffs are removed. This implies a windfall profit for Canadian exporters, and in a national accounts sense, higher Canadian export prices. In these instances, Canadian domestic supply is increased through investment but in most instances, there is no upward pressure on Canadian domestic prices.

2.5 Returns To Scale And Specialization

In the theoretical literature, the most important argument for free trade is that a country would be allowed to produce commodities in which it has a comparative advantage. This effect is handled endogenously by the trade equations within TIM. Another argument for free trade is that a country would be able to produce more of its export goods and thus be able to enjoy increasing returns to scale which would lead to an increase in the productivity in the