

preceding discussion concentrates on the economics of a comprehensive bilateral trade agreement, the discussion then turns to an examination of the sectoral and functional approaches to bilateral trade liberalization. Throughout the discussion, those areas that warrant further research are identified.

The purpose of the third part of the paper is to examine a number of economic policy issues which are outside the strict confines of international trade theory but which are critical to the evaluation of the bilateral trade policy options. This section is concerned largely with the two general questions of whether Canada will be able to realize the potential medium-run net benefits from bilateral trade liberalization, and what factors may aid or disrupt the adjustment process. The discussion starts with the issue of structural adjustment, the process of adjustment and adjustment costs. This discussion is followed by an examination the regional implications of bilateral trade liberalization. The next group of issues dealt with concerns the microeconomics of corporate behaviour with the emphasis in the discussion on R&D and technological adoption, adaptation and diffusion.

Although considerable research exists on many of the issues addressed in these areas, for the most part only the adjustment work has been carried out in the context of the specific question of bilateral trade liberalization. This also applies to the latter section in part 3, which deals with the issues raised by intra-corporate trade for Canadian trade and economic policy.