

It should be kept in mind when studying this table that the names of the trade commodities can be deceptive: The export commodity copper ore has an NTB of 3.7 per cent whereas the other ores are zero. The reason for this is that a small portion of what is called copper ore in TIM is the output of the primary metals industry.

2.4 Canadian Producer Price Behavior

As tariffs and non-tariff barriers are removed, Canadian businesses will find themselves in a different environment and will have to change their behavior. If a producer faces significant import competition then the reduction in Canadian tariffs will force him to either drop his prices or lower his output. If the producer is primarily an exporter then the drop in United States tariffs will afford him the opportunity to either raise his United States price or increase his volume of sales. The response of producers who face import competition was allowed to vary among industries, but it was assumed in most cases that producers would at least partially lower their prices to meet the increased competition. In addition, it is assumed that any cost savings from lower input prices are passed on to consumers.