

States and rest-of world), to provide detailed price and income effects as tariffs and non-tariff barriers are changed.

This analytical approach allows us to directly incorporate the tariff, non-tariff, price, investment, and productivity assumptions outlined above, and assess their implications for detailed trade commodities, industry output and employment. Results are sensitive to conditions in factor markets, to normal behaviour of consumers and other expenditure sources when they are faced with changed prices and incomes, and to the response of governments and monetary authorities. Effects in any given year reflect both the changes in that year and those of earlier periods.

To measure the provincial impacts, we have used the Regional-Industrial Model (RIM) of the economy. This combines a mechanism for provincially allocating the changed national production of goods with one that consistently estimates the impacts on provincial populations. Combined, these procedures determine the impact on the output of service sectors in the provinces, and incomes of persons. It should be noted that it is almost certain that an enhanced trade agreement would alter the location of activities within industries, but no special information about such effects was available for this study, and the base case estimates of industrial location were used in the allocation of impacts.

Figure 1

REAL GNP
BILLIONS OF 1971 DOLLARS

