

available, by direction of trade (United States and rest-of world), to provide detailed price and income effects as tariffs and non-tariff barriers are changed.

Several features of TIM are notably important to a study of this kind.

1.2.1.1 Foreign Trade - In TIM the export and import elements of final demand are disaggregated into roughly fifty export and import commodities, although the pattern of disaggregation is not always the same for exports and imports because some commodities may be more or less important to totals. Computers are a good example of this. The imports of computers are sufficiently important to warrant a separate category, whereas they are combined in with other goods exports. In all cases, trade is separated into United States and rest-of-world flows. Accordingly, it is possible to distinguish changes in trade practices for the United States alone.

The export equations were estimated to capture two major influences - (1) an activity variable, which acts as a proxy for the size of the market and (2) a price variable, which measures influences on Canada's share of the international market. The activity variables are usually some measure of real output or income of the consumers of the export commodity. Thus, the export of logs to the United States is a function of the real output of the United States construction industry.

The effect of prices on exports can be classified in four major ways: