





Summary of Recent Reports

Over the past few years, a number of studies and assessments have addressed the issue of the impact of the NAFTA on the North American economy. On the whole, these reports show that the effects of the NAFTA have been positive. The Department of Foreign Affairs and International Trade has published a comprehensive bibliography of recent publications on the NAFTA entitled *The Impact of FTA/NAFTA on Canada: What Does the Recent Literature Say?* This bibliography will be available on the Department's website (www.dfait-maeci.gc.ca). Refer to the NAFTA page on this site for a wide range of additional information on the NAFTA and its impact on Canada.



While it is clearly difficult to isolate the impact of a trade agreement such as the NAFTA on economic variables such as trade and investment flows or economic growth and job creation, a number of recent academic analyses attempt to shed light on these linkages. Among these is a recent report entitled *Trade and Investment in the Americas: Survey of North American Businesses* released on March 3, 1998, by the Bank of Montreal, its United States subsidiary (Harris Bank) and Mexican affiliate (Grupo Financiero Bancomer). The findings of this survey support the conclusion that the NAFTA has had a positive impact on sales and job growth in Canada and throughout North America, and has not contributed to declining wages. The survey further reports that businesses across the continent expect to pursue cross-border opportunities even more aggressively over the next two years.



A study published in March 1997 by the C.D. Howe Institute, entitled *Trading Up: The Impact of Increased Continental Integration on Trade, Investment and Jobs in Canada*, concludes that the FTA/NAFTA contributed to a sharp increase in Canada-United States trade "over and above what could have been expected from macroeconomic factors or past industry trends." It shows that trade grew most rapidly in those sectors liberalized by the Agreement. The study also found that "the commonly expressed view that free trade has contributed to Canada's employment problems does not find support in the data."

Other studies which focus more on the United States-Mexico dimension of the NAFTA come to a similarly positive conclusion. For the most part, they show that the impact of the NAFTA on jobs has been neutral to moderately positive. The U.S. President's report on the NAFTA to Congress, released in July 1997 and available on the United States Trade Representative's website (www.ustr.gov), estimates that the Agreement "had a modest positive effect on U.S. net exports, income, investment and jobs supported by exports." Job growth associated with exports to Mexico is estimated at between 90,000 and 160,000. Mexican perspectives on the NAFTA can be found at the website (www.naftaworks.org), which is managed by the Mexican trade ministry, SECOFI (Secretaria de Comercio y Fomento Industrial).

Much of the academic and business assessment of the NAFTA is positive, particularly as it pertains to the Agreement's impact on trade and investment flows. However, there are studies that suggest that the NAFTA has been less effective in addressing certain other aspects of Canada's economic performance (though these studies rarely suggest that Canada's performance in these areas would have been stronger in the absence of the NAFTA). Some cite concerns about Canada's overall productivity performance and suggest that the NAFTA is having limited impact in boosting Canadian productivity. This runs counter to what might be expected under increased continental competition. One such study is a recent assessment of the NAFTA by Jeffrey Rubin and John Lester entitled *Has Free Trade Made Canadian Manufacturing More Efficient?* This study is published by CIBC Wood Gundy Economics. The report notes that productivity vis-à-vis the United States has slipped due to many factors, but primarily due to the depreciation