The Department of Finance analysis suggests that most Canadian industries — those that are more highly protected now as well as those currently receiving little trade protection — will benefit from the Agreement and that all regions will share in the benefits. Central Canada with its large manufacturing base will benefit from a stronger and larger manufacturing sector. Other regions will benefit from lower prices of manufactured products and greater scope for upgrading of their resources. Resource-based regions will also benefit directly as the Agreement reduces the risk of a further increase in U.S. protectionism.

The economic benefits from the Canada-U.S. Free Trade Agreement will begin to be realized shortly after implementation of the Agreement, on January 1, 1989. Prices for a wide range of consumer goods will be lower, expanding the purchasing power of Canadian households. Investment in plant and equipment will expand as Canadian firms move to take advantage of their enhanced access to the huge U.S. marketplace. Increased consumer and investment spending will lead to stronger economic growth and more job creation. Department of Finance estimates of the impacts of the Agreement on employment over the medium term fiscal planning horizon indicate a net increase of 120,000 jobs by 1993, only five years into the phasing-in of the Agreement. Moreover, the number of net new jobs created will continue to grow as the Agreement is fully implemented.

But the output and employment gains from the Agreement go further. Without free trade, the increasing threat of U.S. and international protectionism would place at considerable risk the robust pace of output and employment growth that Canada has enjoyed in recent years. Over the last three years, for example, real output growth in Canada has averaged 3.7 per cent and employment growth has averaged 2.9 per cent, or 300,000 jobs per year. The Agreement will not only create new employment opportunities for Canadians, it will also help to secure existing jobs. In the absence of the Agreement, any increase in U.S. protectionism would clearly cost Canadians jobs. Illustrative scenarios of possible U.S. protectionist measures suggest the risk of job losses could be substantial.

The Department of Finance analysis suggests that the Canadian economy should have few difficulties in responding to the new opportunities provided by the Agreement and in making the adjustments that will be required. This conclusion is based on the following considerations:

- first, the Canadian economy has shown a great deal of flexibility and adaptability in the past in handling the size and types of changes that will be required by the Agreement. Between 1960 and 1987, average Canadian tariff rates vis-à-vis the United States have dropped from 14 per cent to 4.5 per cent; yet during that period incomes and output grew more than 200 per cent;