

in Canada. Canadian exports of C\$ 156 billion²¹ in 1992 are equivalent to roughly 25 percent of GDP. This is over twice the percentage of the U.S. and Japan.²²

Canada's trade relations with the U.S. are particularly important. Roughly 75 percent of Canadian exports are destined for the U.S. market, while imports from the U.S. account for about 70 percent of all Canadian imports. The Canada-United States Free Trade Agreement lowered barriers to trade between the two countries, extended trade liberalization to areas such as services, which did not fall within the mandate of the GATT and was before the Uruguay Round's decision to create a World Trade Organization, and established a more effective dispute settlement mechanism. While arguably the FTA did not increase Canada's economic interdependence on a global basis, it did increase the level of regional economic integration.

For Canada, the NAFTA increased market access opportunities in Mexico and the U.S., and prevented a hub-and-spoke model of regional trade arrangements from developing. In a hub-and-spoke model, the U.S. would negotiate free trade agreements with other countries or groups of countries separately. In such an environment, investment would tend to flow to the U.S. from where firms could trade freely with all the U.S. bilateral trading partners. The NAFTA ensures Canada remains an attractive location for foreign and domestic investment, but the prospect of a hub-and-spoke model developing with the U.S. at the center will arise in the context of how free trade arrangements evolve in the Western Hemisphere. In this regard, an important element of the NAFTA is its provision that other countries may become parties to the free trade area, an important feature proposed by Canada.

Analytical research suggests that the NAFTA has three main implications for Canadian labour.²³ These are broadly consistent with the nature of the findings of the OECD study discussed earlier in this Paper.

- The aggregate number of jobs created or lost are likely to be relatively small, at least for the foreseeable future.

²¹ Statistics Canada, Preliminary Statement of Canadian International Trade October 1993, Statistics Canada: 65-001 p. Vol. 9, No. 10, December 1993.

²² IMF, Financial Statistics Yearbook.

²³ Gordon Betcherman, "Labour in a More Global Economy", a paper prepared for the Office of International Affairs, Human Resources and Labour Canada, 1993.