

Assessing the FTA: Design of a Framework

1 THE CHALLENGE

1.1 What Is The Free Trade Agreement?

At the beginning of the coming year, the Free Trade Agreement (FTA) between Canada and the United States will have been in effect for one year. At that point, as there has been throughout 1989, governments, opposition political parties, journalists and members of the public will issue summaries of the FTA's effect on the economy, and doubtless, on Canadian sovereignty and culture. Such summaries can be expected to continue after that, conceivably through to 1998, and beyond, when historians will look back over the decade of 1989-98 to determine the agreement's impact. Commentary will vary from a focus on some particular aspect of the agreement to many that will attempt to "add up" its net effects.

Can net, overall, effects be measured? Indeed, can descriptions of partial effects be reliably determined?

There have been, and will continue to be, many disputes about what the FTA is, but there should be no dispute that it is, at least, an agreement about rules for trading between the two countries. In this sense, then, standard economic analysis was, and should be in the future, applicable to assessing its impact on the economy.

Beyond the rules for trading and settling disputes regarding trade, provisions in the Agreement also affect the status of Party nationals as investors under the other country's laws, and establish rules for temporary labour movement between the two countries. In this sense, the FTA is also an agreement about the mobility of two traditional economic factors of production, capital and labour. Again, assessment of the impacts of these elements of the Agreement are susceptible to the application of standard economic analyses, and descriptive tools.

For some, debates about the FTA have focused on its role as an expression of a particular economic philosophy. We regard this as a legitimate perspective, but what the boundaries of the "particular" economic philosophy are, whether it is more or less effective in achieving goals of Canadians than contrasting economic philosophies, and whether the philosophy is tied to any particular government or political organization would all be highly contentious. Put another way, this perspective is not easily susceptible to standard economic (or, possibly, other) analyses.

Accordingly, this assessment of the measurability of the impact of the FTA focuses on the applicability of analytic and descriptive tools that can be used to measure economic impacts. While this may be too narrow a scope for some, we assume that broader perspectives would still require measures that this economic focus may provide.