
Extensive empirical analysis undertaken in Canadian universities and research organizations shows unambiguously that the economic benefits for Canada of free trade with the United States will be significant, with recent estimates of the permanent increases in real income ranging from about 1 per cent to just over 3 per cent. Department of Finance estimates of the long-term economic benefits of the Canada-U.S. Free Trade Agreement indicate that the permanent real income gains for Canadians will reach at least 2.5 per cent – about \$12 billion per year in today's dollars – with all regions of the country experiencing sizeable real income gains. This is equivalent to a real income increase of about \$450 for every Canadian, year after year. Moreover, this estimate of a 2.5-per-cent gain in real income likely understates the extent of the economic benefits resulting from the Agreement, as the potential for further, non-quantifiable, gains is substantial in the form of a more flexible, dynamic and productive economy.

The economic benefits from the Free Trade Agreement will start to be realized shortly after the implementation of the Agreement on January 1, 1989. Prices for a wide range of consumer goods will begin to decline, 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. market-

place. 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 government's medium-term fiscal planning horizon indicate that 120,000 net new jobs will be created by 1993, only five years into the phasing in of the Agreement. Moreover, as the Agreement is fully implemented, the number of new jobs will continue to grow, as other studies of Canada-U.S. free trade, such as those by the Economic Council of Canada, Informetrica, and Wharton Econometrics, indicate.

But the significance of the Free Trade Agreement goes beyond these output and employment gains. Without a free trade agreement, the threat of increasing U.S. protectionism could jeopardize the robust growth in output and employment 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 over 300,000 jobs per year. The Free Trade Agreement will not only create new employment opportunities for Canadians, it will also help to maintain existing jobs.