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estimates of existing trade barriers between Canada and the United States. The rate of price protection provided through tariff and quantitative non-tariff barriers to goods-producing industries currently averages about 6 per cent in Canada and 5 per cent in the United States. This measure of price protection does not include "contingent protection measures" (such as countervailing and anti-dumping duties) currently in place. Nor does it include measures that might arise in the future due to a possible increase in U.S. protectionism. Chapter III also outlines the main elements of the Canada-U.S. Free Trade Agreement that will affect Canada's economic performance.

Considerable empirical research has been undertaken in universities, private research organizations and governments to evaluate the impacts of freer trade on the Canadian economy. Chapter IV discusses the recent empirical evidence by private and public research organizations of the long-term gains to the Canadian economy from free trade with the United States. This evidence indicates that there are significant economic benefits for Canada. Department of Finance estimates suggest that the permanent real income gains would reach at least 2.5 per cent of Canadian real income, with all regions of the country experiencing sizeable increases in real income.

The medium-term macroeconomic impacts of the Free Trade Agreement are the focus of discussion in Chapter V. The economic gains from the Agreement will become apparent shortly after its implementation on January 1, 1989. Department of Finance estimates of the impacts of the Free Trade Agreement on employment over the government's medium-term fiscal planning

horizon indicate that 120,000 net new jobs will be created by 1993. Moreover, the Agreement will help to maintain existing jobs by forestalling the threat of increasing U.S. protectionism.

Transition to the new free trade environment is examined in Chapter VI. The Canada-U.S. Free Trade Agreement will be phased in over a period of 10 years starting in 1989. This transition period will ensure that Canadian firms and workers have the necessary time to adapt to the changing economic environment. The gradual transition to a free trade environment will be facilitated by the Canadian economy's underlying competitiveness, flexibility and adaptability and by existing government programs. Chapter VII provides some concluding observations.

This paper is one of a number of economic analyses of the impacts of the Free Trade Agreement on the Canadian economy. A series of sectoral assessments have also been prepared by various government departments. These assessments examine the implications of the Agreement for specific sectors, providing background information, describing the elements of the Agreement and presenting an assessment of the economic impact on the sector.