

ECONOMIC EFFECTS OF TRADE LIBERALIZATION WITH THE USA: EVIDENCE AND QUESTIONS

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Description

The paper evaluated freer trade with the United States, in the form of a functional, sectoral or comprehensive arrangement in the context of existing economic literature.

Highlights

The main conclusion in this paper suggested that bilateral trade liberalization could be expected to provide large, long-run economic benefits to Canada. It could also be expected to lead to a more efficient and flexible microeconomic structure which, in turn, could significantly improve the performance of the Canadian macro-economy and its ability to create more, and better, job opportunities.

Bilateral trade liberalization would involve significant structural changes in the economy. While these structural adjustments are a major source of the large potential long-term net economic benefits, the adjustment process could entail significant transitional costs.

These costs would include labour adjustment costs as workers move from one industry to another. There could also be various factors which would affect the adjustment process, adjustment costs, and the ability and speed by which the long-term economic benefits are realized. Nevertheless, it would appear that the bilateral trade liberalization option would provide the conditions and the environment for a healthier and sounder Canadian economy.