
This publication is one of a series of Canada-U.S. Free Trade Sectoral Assessments prepared by the Government on a number of sectors and issues such as agriculture, fisheries, energy, industry and consumers. The Assessment begins with a general discussion of the overall economic impact of the Agreement. It then examines the implications of the Agreement for women.

Macroeconomic Impacts of the Agreement

The Agreement will provide significant economic benefits to all Canadians:

- Canadian consumers will benefit from more competitive prices for both imported and domestic goods;
- investment will be undertaken in response to opportunities provided by the new trade environment;
- industries will reap the benefits of larger scale production and will become more efficient and more competitive;
- the productivity of Canadian workers will increase and so will their real incomes;
- the economy will grow more strongly and more jobs will be created; and
- the economy will become more flexible, more innovative, and more dynamic.

A comprehensive analysis of the macroeconomic impacts of the Agreement has been undertaken by the Department of Finance, and is reported in the document *The Canada-U.S. Free Trade Agreement: An Economic Assessment*. It indicates that the Canada-U.S. Free Trade

Agreement will raise the real incomes of Canadians by *at least* 2.5 per cent. This represents a permanent increase in real income of \$12 billion in today's dollars, or about \$450 for every Canadian. This estimate quite likely understates the size of the economic benefits flowing from the Agreement because some important aspects of the Agreement are not captured in the analysis. For example, aspects of the Agreement such as free trade in services, more predictable conditions for cross-border investment, more certainty about security of access to the large U.S. market and the dynamic effects of free trade in the form of a more flexible and more innovative economy will provide additional net benefits that are real, positive and potentially very large, but cannot be precisely measured.

The Department of Finance analysis suggests that most Canadian industries — those that are more highly protected now as well as those currently receiving little trade protection — will benefit from the Agreement and that all regions will share in the benefits. Central Canada with its large manufacturing base will benefit from a stronger and larger manufacturing sector. Other regions will benefit from more competitive prices for manufactured products and greater scope for upgrading of their resources. Resource-based regions will also benefit directly as the Agreement reduces the risk of a further increase in U.S. protectionism.