

SUMMARY

BENEFITS OF THE CANADA - U.S. FREE TRADE AGREEMENT

The Canada-U.S. Free Trade Agreement will, upon implementation, bring substantial benefits to all regions of the country, and all major sectors of the Canadian economy. The following is a summary of these benefits as identified through recent analyses of the impact of the Free Trade Agreement.

ECONOMIC BENEFITS

MACRO-ECONOMIC BENEFITS

The study by the Department of Finance assesses the overall economic benefits likely to result from the Canada-U.S. Free Trade Agreement. The key conclusions are:

- the Agreement will raise Canadian real income by at least 2.5 percent in the long term. This represents a permanent increase in total real income of about \$450 per year for every Canadian or \$1800 for a family of four;
- this 2.5 percent real income gain likely underestimates the economic benefits from the Agreement. Additional benefits, which are difficult to measure, will result from freer trade in services, liberalized conditions for cross-border investments, more secure access to the U.S. market, and a more flexible and more innovative Canadian economy;
- the income gain will result from lower consumer prices, exploitation of economies of scale, lower cost of intermediate goods imported from the U.S., and a more efficient allocation of resources in the economy;
- output will rise in all broadly defined sectors: by 10.6 percent in manufacturing; by 2.1 percent in the primary sector; and by about 1 percent in services. Even most of the more highly protected industries will expand;
- the economic benefits from the Agreement will become apparent shortly after its implementation. By 1993, 120,000 net new jobs could be created, with the number of new jobs continuing to grow thereafter.

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JUN 2 1988

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