regionalism. While too lengthy to elaborate here, the basic prerequisites for an RIA to qualify as promoting open regionalism are that: a) it does not lead to serious trade diversion effects, b) it permits deeper integration between members, c) it preserves the effects of previous liberalizations and provides credibility for any subsequent extensions of the RIA, and d) it "support[s] a liberalizing dynamic within member countries and the world trading system as a whole."[2] In practice most RIAs fall short of this ideal.

There are other complex political and social arguments with respect to the impact of recent trade agreements—in particular RIAs. These include issues such as: a) the impact on the environment, b) the impact on labour standards, c) the delivery of social services and other important public goods such as education and health, and d) potential undermining of the multilateral trading system. While important, these are not the subject of the current study which is focused on the economic impact of FTA-NAFTA on the Canadian economy. With the exception of the last issue, which is a fairly trade specific issue, the other issues can be raised with respect to almost any international agreement including those covering taxation, health and sanitary measures, defence, water supplies, etc.

The national interest case for governments to sign binding treaties covering trade and investment rests ultimately on the fact that these agreements are essential to sustaining the current level of income and employment in the economy, and providing a framework which is best suited to promoting future economic growth. They can be viewed in economic terms as a general extension of the rule of law and use of binding contracts in commercial relations. Governments that sign trade agreements voluntarily limit the application of national policy instruments that impact on trade. Most important are restrictions on the use of subsidies, tariffs and other non-tariff barriers to trade such as technical standards. While this represents a "loss" in national sovereignty in that the set of instruments governments may use to impact on the economy has been reduced, the case "for" is based on the evidence that the net impact is beneficial. This is not to argue that all RIAs are beneficial. Those which are poorly designed or give rise to strong trade diverting effects could actually lead to a decline in national economic welfare. Nevertheless, as discussed in the following sections, the available evidence strongly confirms the hypothesis that on economic grounds the FTA and its successor NAFTA have had an overwhelming positive impact on the Canadian economy.

The Economic Impact of FTA and NAFTA on Canada

In this section, we review a number of studies which look at various impacts of FTA and then NAFTA on the Canadian economy. It is first important to highlight a number of important factors that were impacting on the Canadian economy during a period in which economic adjustment to FTA-NAFTA was no doubt also ongoing. Two primary features stand out in this regard: The first was the prolonged economic slowdown in Canada between 1990 and 1992 but from

[2] See World Bank (2000), *Trade Blocs*, page 106. There yet is little agreement as exactly how to operationalize these principles.