

---

This publication is one of a series of Canada-U.S. Free Trade Sectoral Assessments prepared by the government on such sectors and issues as agriculture, fisheries, energy, industry and consumers. Each sectoral assessment begins with a general discussion of the overall economic impact of the Agreement, based on the major study released by the Department of Finance. Each assessment then examines the implications of the Agreement for the particular sector or issue, providing background information, describing the elements of the Agreement and presenting an assessment of the economic impact.

#### **Macroeconomic Impacts of the Agreement**

The Agreement is expected to provide significant economic benefits to Canadians:

- Canadian consumers will pay lower 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 macro-economic impacts of the Agreement has been undertaken by the Department of Finance, and is reported in the document *The Canada-United States 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 CDN \$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 are not captured in the analysis. For example, aspects such as free trade in services, liberalization of 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 real net benefits that are potentially very large, but cannot be precisely measured.