

**Main Points in the Department of Finance Analysis  
of the Economic Benefits from the  
Canada-U.S. Free Trade Agreement**

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Over the long term, real income gains will reach at least 2.5 per cent -- about \$12 billion a year in today's dollars, or an extra \$450 in real purchasing power for each Canadian every year.

Consumer goods will be available at lower prices, Canadian workers will enjoy higher real wages, and Canadian producers will become more competitive due to economies of scale and lower costs of intermediate products imported from the U.S.

The estimate of a 2.5-per-cent gain in real income likely understates the eventual benefits, since it does not take into account other benefits that are hard to quantify: freer trade in services, easier cross-border movement of investment capital, a reduction in uncertainty due to more secure access to the U.S. market, and a more flexible and innovative economy.

The view that the Free Trade Agreement will generate substantial economic benefits is supported by other Canadian studies, by the experience of other free trade arrangements around the world and by Canada's own experience with trade liberalization.

The economic gains will be evenly distributed among all regions of the country, and all broadly defined industrial sectors will benefit.

Economic benefits will start to be felt shortly after the first tariff cuts on January 1, 1989: consumer prices will be lower, increasing the purchasing power of households and stimulating consumer sales; investment will expand to allow firms to take advantage of their more secure access to the huge U.S. market; these developments in turn will result in stronger economic growth and more new jobs.