

3 NATIONAL IMPACT RESULTS

3.1 Summary

As Figure 1 illustrates, our results suggest there would be positive effects on real Gross National Product from all dimensions of enhancement. The contribution of each element of the program to overall results would vary over time, however. The impact of tariff reductions would be comparatively small as the reduction of Canadian tariffs is large compared to those of the United States. In contrast, reduction of United States non-tariff barriers is comparatively large, providing notably large benefits to Canadian GNP through to the mid-1990s; the erosion of this positive impact thereafter reflects an acceleration of Canadian inflation that follows from the tightening of labour markets in the latter years of the impact. Improved returns to scale in the form of labour productivity relieves the later pressure on labour markets, and the case that includes reductions of tariffs and non-tariff barriers, and improved productivity provides the largest positive effect on GNP. Canadian economic activity would be reduced if the United States pursues more protectionist policies; the beneficial effects of trade enhancement are increased accordingly, especially if trade enhancement with Canada leads the United States to forego protectionism with other countries as well.