

## Abstracts

**BRITTON, J.:** "Is the Impact of the North American Trade Agreements Zero? The Canadian Case".

In response to a recent assertion that the impact of NAFTA on the US and Canadian economies is zero, this paper contends that NAFTA and its precursor FTA have generated important impacts on the much smaller and more open Canadian economy. After a review of theory and institutional factors, the available empirical evidence is reviewed to identify the most important impacts. Canada's attractiveness for foreign investment has not declined after FTA and NAFTA, though this is true only for US sources. There is, however, evidence that the trade agreements have weakened East-West economic bonds within Canada. While it is difficult to separate the effects of FTA/NAFTA and the falling Canadian dollar on export expansion, diversification in Canadian exports is evident. Industrial productivity gains associated with the trade agreements appear to derive more from specialisation within industries than from scale economies. It is also observed that, due to provisions within NAFTA, Canadian access to the US market remains subject to limitations.

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**GUNDERSON, M.:** "Regional Impacts of Trade and Investment on Labour".

Trade liberalisation, such as that which is embodied in the FTA and NAFTA, can have important impacts on the spatial allocation of economic activity across regions within a country. This, in turn, can have important impacts on the allocation of labour and the associated labour market outcomes. Firm location can be affected by a variety of factors including access to market, access to labour and other inputs, agglomeration effects and increasing returns, endogenous growth processes, border effects, historical accident, trade barriers, taxes and subsidies. Trade liberalisation may either draw production toward international borders or reinforce the dominance of existing core areas, depending upon the relative importance of such factors as transportation costs, proximity to markets for outputs and inputs, and agglomeration and clustering effects. For the US and especially for Mexico, the pull of the border appears greater than the retention power of the core. In Canada the locus of production is already clustered near the border, so the adjustments in terms of the location of firms and labour are smaller than might otherwise have been the case.

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**KIRTON, J. and M. RUGMAN:** "Regional Environmental Impacts of NAFTA on the Automotive Sector".

Despite fears that NAFTA would generate a regulatory "race to the bottom" in terms of environmental standards and practices, the outcome in the automotive sector has been a "push to the top" inspired by NAFTA's consciousness-raising, institutions, dispute settlement mechanisms and incentives. This paper reviews North American environmental regulatory regimes before and after NAFTA. Progress in the NAFTA era is due to three factors: 1) an intensified move to full

scale rationalisation and integration of the industry with a corresponding production incentive to have a uniform set of relevant environmental standards in all three countries; 2) a new wave of high level regulatory harmonisation; and 3) the rapid spread of harmonisation from the assembly to the parts and then aftermarket sectors, and from manufacturing standards, to fuel standards and then inspection, maintenance and other operating standards. Still, the intergovernmental, trilateral institutions and processes created by NAFTA are not performing up to their potential, and further steps are needed to adequately assist the automotive industry with the environmental regulatory challenges it faces.

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**BUCKLEY, P.J., J. CLEGG and N. FORSANS:** "Foreign Market Servicing Strategies in the NAFTA Area".

This paper examines the link between globalisation and the growth of trade blocs using the experience of the North American Free Trade Agreement (NAFTA). Financial markets are already very closely integrated internationally, while goods and services markets are integrated at the regional level through trade blocks and labour markets are functionally separate at the national level. The key link between globalisation and trade blocks is foreign direct investment (FDI). Both market seeking and efficiency seeking FDI into the expanding trade bloc are likely to be encouraged as market size grows and costs fall where economies of scale can be achieved. There are also likely to be more subtle effects arising from import substituting FDI (tariff wall jumping) for both offensive and defensive reasons. Firms which already have FDIs within the bloc may well choose to rationalise their investments in response to changing production costs and they may reorganise production units in fewer locations. Sectoral, product and spatial influences will produce widely differentiated strategies among firms, but a common element will be a search for flexibility by firms in a globalising world.

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**RICHARDSON, K.:** "Whatcom County, Washington and the Greater Vancouver Region - What is so Enticing Over the Border?".

The passage of the FTA and NAFTA demonstrate how Canada and the US are moving toward a regional trade partnership in an era of globalisation. The transition to cooperation which reaches beyond the nation state will provide opportunities for many, but will leave others feeling confused as to how they fit into this new "borderless" world. In order to understand how communities and regions are responding to this transition, careful observation needs to occur at the community level. The purpose of this research is to examine how Canadians and Americans use the cross border region of the Greater Vancouver Area (GVA) and the Lower Fraser Valley (LFV), and whether the international border and current transnational policies, such as NAFTA, influence the development of this area. Specifically, this paper examines how land is used along the border and whether there is a cross border influence from the GVA and the LFV into Whatcom county, Washington (or visa versa.) From an assessment of changing land use patterns, the study sheds light on ways in which the border region is developing from an economic, environmental, and social perspective, and the role that NAFTA plays in the development.

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**BROWN, W.M.:** "Regional Trade Policy and the Integration of the American and Canadian Economies".

The purpose of this paper is to set the parameters within which we can understand the potential for economic integration across the Canada-U.S. frontier and what this implies for the role of government at the scale of states and provinces. A statistical analysis of trade flows shows that the greatest potential for economic integration is among regions that are in close geographic proximity. Furthermore, this potential varies depending on the industrial structures of the trading regions. In particular, interregional trade appears to be highest among regions with similar industrial structures where trade is driven by specialisation at the firm level. These results imply that policies developed to encourage greater integration will be most effective in border regions. Furthermore, what forms these policies might take and what sectors may be targeted depends, at least in part, on the underlying causes of regional economic development. Trade policy at the scale of regions becomes indistinguishable from regional development policy.