INTEGRATION AND GLOBALIZATION OF THE CANADIAN AND U.S. BANKING INDUSTRIES: A MODEST ROLE FOR NAFTA?

DANIEL E. NOLLE

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ABSTRACT

This chapter presents evidence that the impact of NAFTA on the direct banking presence of Canadian banks in the United States and U.S. banks in Canada may have been relatively modest. No post-NAFTA change in the level of banking activity, as measured by assets of Canadian banks in the United States and U.S. banks in Canada occurred, and the current market shares of Canadian banks in the United States and of U.S. banks in Canada appear to be low. Despite a less than central role for NAFTA in setting the agenda of international banking issues, important policy concerns remain. These include internal policy debates within NAFTA countries, because the legal and regulatory environment in each of the signatory countries affects banks from each of the other countries.

INTRODUCTION

If the North American Free Trade Agreement (NAFTA) has had, or is likely to have, a large impact on the banking industry in signatory countries, there might be some urgency in outlining and addressing new legal and regulatory issues arising from NAFTA-induced changes in the banking landscape. How-