

Assessing the FTA:
Design of a Framework

The principal conclusions of the study are the following.

1. It is not possible to provide a complete, professionally qualified assessment of the FTA's effect on economic performance in 1989 on January 1, 1990, or shortly thereafter. In fact, it will be some years before such an evaluation is possible.
2. It is possible to:
 - o document that the FTA measures are taking place -- namely, tariff reductions have occurred, non-tariff barriers are changing, institutions are established, and required negotiation processes are started;
 - o examine trade flows of those categories with significant reductions for possible indications of an FTA effect; and
 - o assess investment intentions compared to expected industry patterns of response to the FTA.

The principal recommendation is that an annual review of the FTA should be prepared, bringing together synopses and other information that focus on, over time, increasingly sophisticated analyses of the trade data, industrial restructuring, employment turnover, etc.

Analysis and monitoring should be undertaken by departments who have the appropriate technical expertise and continuing mandates to monitor the economy. This should incorporate inputs from private sector groups, who, with the departments, would report their results to the producer of the annual review.

The study presumes that the FTA is a significant policy initiative of the Government of Canada, which, therefore, has a responsibility to monitor and report on its effects. This should be accomplished in an open, balanced setting, allowing for review and discussion by all Canadians.

Because the FTA is a long-term, structural policy, with effects on relative prices, allocation of activity, and trade, with particular implications for manufacturing, the analysis of its effects will require a detailed examination of economic data. It cannot be accomplished through a focus on broad macroeconomic indicators, since at that level, the effects will be indistinguishable from other policies and events.