

The purpose of such calculations will be to note whether the trade flows appear to be affected, to test the hypothesis that the relative performance of trade with the U.S. is enhanced by the tariff reductions to date, and also to spot any anomalies that might require closer study. This activity should be ongoing, with periodic reports (quarterly or annually).

5.1.3 Business Investment -

Statistics Canada surveys some 28,000 establishments twice a year, regarding their investment intentions. (The results are published in *Private and Public Investment in Canada*, Catalogue 61-205 and 61-206.) The first survey is conducted near the beginning of the year (November through early February) and the second survey in the middle of the year (May through early July). The second survey is usually referred to as the "Revised Intentions".

Since one of the major areas that is expected to be affected by the FTA is business investment, particularly in manufacturing, this survey would be directly relevant to assessing the FTA impact. The 1989 surveys provide a unique opportunity, since the first survey was largely completed before the FTA was passed by Parliament, whereas the second survey took place some months after the event. This suggests that the magnitude and pattern of the revisions may have special import, providing at least an indication of the marginal effect of the FTA on investment for the same year.

The analysis of the FTA should include the increases in 1989 from 1988, compared to the increases in 1988 from 1987. The revisions should also be analyzed. Simply observing that investment is "up" or "down" is not sufficient. From the various studies of the FTA in 1988 and 1989, it should be possible to assemble a list of industries, particularly within manufacturing, which are expected to be positively affected by the FTA, negatively affected, or little affected. By comparing the investment patterns for these three groups and the magnitude of revisions, it should be possible to obtain some idea if investment responses correspond to the expectations or not.

Investment is affected by many factors - interest rates, capacity utilization, expected profitability, corporate cash flow, and other international influences. But some of these factors at a point in time, will be common across industries, allowing differentials across groups to be attributed, at least in part, to the FTA. This activity should also be an ongoing one, since the investment response to the FTA will occur over a number of years.