

3.2.2 Impact On Final Demand -

Table 5

Contribution of Components to Total Expenditure Change,
Impact of "Full Enhancement" Relative to Base Case,
Selected Years
(per cent of total)

	1985 ^{2/}	1992	1997	2005
Personal Consumption	61	20	56	51
Business Investment	18	45	31	32
Government Expenditures	20	9	13	11
Change in Inventories	0	14	-2	5
Net Exports	1	12	2	1
Exports	30	56	63	73
(-) Imports	29	44	61	72

We anticipate that the contribution of the components of final demand to the overall positive impacts will vary over time as well. Comparison of our base case with the one that includes elimination of tariffs and non-tariff barriers and includes our assumptions of accelerated productivity (the "Full Enhancement" case in our graphics) illustrates this in Table 5. Increased investment is the early "engine" of trade-related benefits. A sharp drop in nominal interest rates, reduced costs of materials and equipment required to meet investment demand, increased real output, and our assumption that there would be extra-normal investment in secondary manufacturing combine to provide the especially strong investor reaction. In contrast, increased consumer spending is moderate initially, reflecting the impact of the personal income tax surcharge and reduced household interest income from the sharp fall in interest rates. The

^{2/} Share of levels in 1985.

