

Table 7

Relative Importance of Trade Barriers
On Investment Decisions

	<u>Yes</u> (% of firms)	<u>No</u> (% of firms)	<u>No answer</u> (% of firms)	<u>Total</u> (% of firms)
<u>Significant</u>	67 (55)	53 (43)	2 (2)	122 (100)
<u>Decisive</u>	30 (24)	90 (74)	2 (2)	122 (100)

Source: External Affairs Survey

Hence, although more than half of firms surveyed considered trade barriers of some importance in determining future investment, only one quarter believed the removal or maintenance of barriers would result in changes to their present investment stance. This is noteworthy in that it provides some evidence rebutting the assumption that tariff and non-tariff barriers constitute an important incentive or deterrent to investment in Canada. In fact, this seems to be the case with relatively few firms on this sample thus suggesting that a enhanced trade regime will have minimal direct impact on the investment plans of US companies presently established in Canada.

Analysis of answers to the third question provide further substantiation to the above hypothesis. Replies received were grouped in five categories: firms classified as "positive" indicated that free trade would lead them to increase their Canadian presence; those classified as "neutral to positive" believed that removal of trade barriers would be beneficial to their present activities and might result in increased investment; those classified as "neutral (rationalization)" stated that trade liberalization would result a greater intracorporate specialization which might or might not result on increased investment in Canada; those classified as "neutral (status quo)", saw little or no change in their investment plans as a result of trade liberalization or gave no indication that such change would occur; finally, those categorized as "negative" stated unequivocally that removal of trade barriers would have serious detrimental impact on their present and planned investment in Canada. Results are shown in the following table.

Table 8

Effect of Trade Liberalization
On Investment Decisions

<u>Response</u>	<u>No. of firms (% of total)</u>	
Positive	12	(10)
Neutral to Positive	12	(10)
Neutral (Rationalization)	27	(22)
Neutral (Status quo)	50	(41)
Negative	14	(11)
Not answered	7	(6)

Source: External Affairs Survey

Only one fifth of the firms which replied to this question believed that trade liberalization would have a major impact on their investment decisions: positive and negative replies in this category were almost evenly split. This, incidentally, is very close to the results appearing in Table 7. By far the next significant statistic for purposes of this analysis, however, was the almost one-half of sample firms which foresaw no change in their investment posture and the one quarter which believed rationalization would be the likeliest outcome. These results appear to reaffirm the finding of the Conference Board of Canada study that trade barriers are not a significant factor in determining investment in Canada; in addition, they seem to indicate that rationalization or very