several possible explanations.

Plants open and close all of the time - for all kinds of reasons. Typical turnover rates for the Canadian manufacturing sector, based on a ten-year span, suggest 40 per cent of the number of plants will exit, with 25 per cent doing so through a plant closing. Plant openings will account for about 19 per cent of the establishments at the end of the period, with an additional 14 per of new entrants occurring through acquisition or an establishment switching from another industry within manufacturing.

For all firms in the economy, about 15 per cent of firms "die" each year, or about 100,000. At the same time, "births" of at least this number occur. For manufacturing, the "death rate is about 10 per cent, implying about 4,000 closings each year, with a roughly comparable "birth rate".

It would be useful to have a grouping of the various openings and closings by industry, with an indication of whether that industry was expected to be positively affected by the FTA, negatively affected, or little affected. If reasons for the plant opening or closing were provided, these should be included in the listing. Similar lists for years before the FTA would also be helpful, providing some guide as to whether the direction or pace of change is similar or distinctly different. Since data for more rigorous examination may not be available for several years, this tabulation of partial information in an organized manner should be undertaken with adequate resources. Results will also help to guide more in-depth research later.

Similar lists with the same caveats could be maintained for expansions and contractions of employment, mergers and acquisitions, changes in ownership, etc.

The interpretation of such changes is also important. The FTA is a structural policy, implying changes (both positive and negative) for different industries. Determining the "net effect" of such changes is likely to require more sophisticated techniques and the availability of more detailed information.

The gross changes in firm structures in an industry can also be studied. The entry and exit of firms, the growth, mergers, and down-sizing processes can be monitored by industry. The key will be to identify those firms which are most involved in adjustment under the FTA. Heavy use of the micro-files would be helpful here.

3.7 Changes In Financial Organizations

3.7.1 Expected Effects -

With a provision to remove the asset ceiling on U.S. bank subsidiaries in Canada, there should be some expansion. Canadian banking subsidiaries and their affiliated investment dealers may now underwrite and deal in Canadian government securities in the U.S. market. Again there should be some modest benefits.