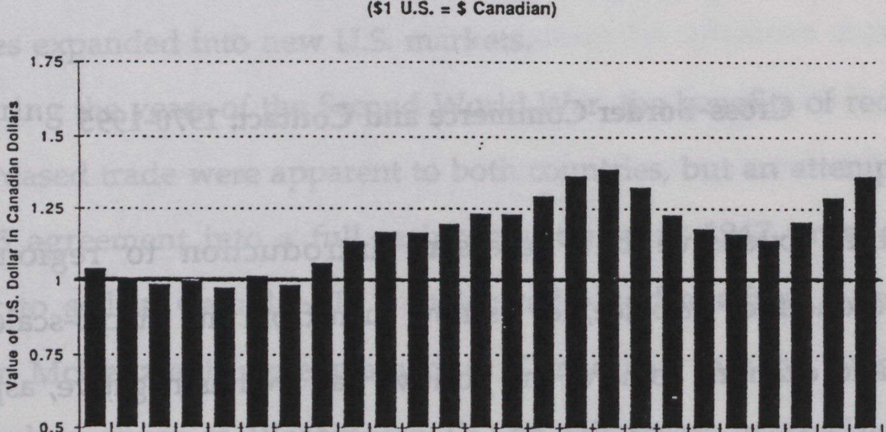
hinterland, and two lifetimes--one Canadian, one American--of crossing, living near and thinking about the border.

The following graphs depict the economic relationship between Canada and the U. S. as it has developed both nationally and regionally. Although our focus here is primarily on tourism, the interplay between such factors as FTA/NAFTA, currency exchange rates, tax structure and the border-oriented retail sector development can clearly be discerned. Perhaps the most significant of all is Graph 1, which depicts the fluctuating currency exchange rate since 1970. The two highest points, representing a weak Canadian dollar, are 1986 and 1994. (Although the annual averages for 1995 and 1996 are not yet available, we can safely predict 1996 as the weakest year since 1970). While a weak dollar can prove beneficial to Canada by making exports more affordable abroad, it has had a major impact on cross-border retail activity.



GRAPH 1

Graphs 2 and 3 show, at the national level, the number of short-term (entering and leaving on the same day) and long term visits by Canadian and U. S. residents. Note that on both graphs, the relative number of visits is fairly equal, although Canada's population is only a tenth of the U. S.'s. In