CONCLUSIONS AND SELECTED IMPLICATIONS

Summing results from previous tables, we estimate that in aggregate the CFTA/NAFTA trade reform has added an estimated $1.4 billion to U.S. agricultural exports to Canada and $1.9 billion to Canadian agricultural exports to the United States. Thus exports have expanded markedly in both countries as a result of the agreement. Given possible errors in the data, it is not possible to say that the U.S. has gained more exports than Canada from the arrangement.

Welfare impacts of more complete liberalization of U.S.-Canadian agricultural trade are summarized as follows:

	Annual benefits in:	
	United States[a]	Canada
	(million dollars)	
Consumer welfare	961	817
Producer welfare	-705	-767
National welfare	256	36[a]

[a]Subtracts $14 million of quota rents.

Consumers benefit from liberalization of nearly $1 billion per year in each country, implying *relatively* greater benefit to Canadian than to U.S. consumers. It is notable that losses to Canadian producers are absolutely and relatively greater than to U.S. producers. Overall deadweight gains are positive to each country and are more in line with the size of the agricultural sectors than are redistributions among producers and consumers. The annual combined two-country addition to national income ($256 + $36 million = $292 million) may not seem large but totals a present value of $5.8 billion when discounted in perpetuity at a 5 percent discount rate.

The above results are primarily determined by the relative sizes of the industries in the two countries and the absolute and relative size of the trade barrier on both sides of the border. The static nature of the analysis may underestimate some benefits and overestimate some costs of protection. The cumulative dynamics of improved efficiency forced upon producers by trade liberalization would change these estimates of welfare costs after more years of adjustment. Improvement in the efficiency of transportation, processing, wholesaling, and retailing as a result of free trade could reduce costs in the longer run.

Finally, we address implications for adjustment assistance, dispute settlement, north-south trade rerouting, narrowing domestic policy options, and pressure for monetary union between the U.S. and Canada.