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IMPACT OF CFTA/NAFTA ON U.S. AND CANADIAN AGRICULTURE[1]

by

Luther Tweeten, Jerry Sharples, and Linda Evers-Smith

The Canada-US bilateral component of NAFTA began on January 1, 1989 when the Canadian-US Free Trade Agreement (CFTA) went into effect. We now have over 7 years of experience with that component of NAFTA--enough years to draw some preliminary conclusions about its impact.

This paper has two principal objectives:

- To measure the contributions of CFTA/NAFTA to the agricultural trade of Canada and the United States, and
- To quantify the level and distribution of benefits and costs of further liberalization of agricultural trade between the two countries.

Before addressing these objectives, we examine how agricultural trade of the two countries has fared since 1989.

THE SETTING

Trade of goods and services between the United States and Canada is important for the United States and vitally important for Canada. The same is true for agricultural trade. About 50 percent of Canada's agricultural exports go to the U.S. and 35 percent of Canada's agricultural imports come from the U.S. For the United States, 11 percent of agricultural exports go to Canada and 19 percent of imports come from Canada (4)[2]. U.S. agricultural exports to Canada totaled $5.8 billion in fiscal 1996, second only to Japan.

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[1]Respectively, Anderson Professor, Senior Researcher, and former Research Associate, Department of Agricultural Economics, The Ohio State University, Columbus. Presented at the International Agricultural Trade Research Consortium, Washington, DC, December 15-17, 1996.

[2]Number in parenthesis refers to an item in the list of references.