

Vertical intra-industry accounts for the largest share in total Canada-US trade, averaging around 50 per cent from the 1980's onwards. VIIT has been slowly increasing in importance. As for HIIT, it decreased from the 1970's to the 1980's (from 15.9 per cent to 15 per cent), but has been increasing from the 1990's onwards. It is interesting to note that the increase in both HIIT and VIIT from the 1990's onwards coincides with the implementation of the FTA and the NAFTA which might have contributed to increased IIT within North-America.

An interesting question is whether the asymmetries between Canada and the U.S., as revealed by the dispersion in shares of three types of trade, have decreased or increased since the implementation of the Canada-US FTA? Have trade patterns converged? The standard deviation for the shares of the three types of trade before (1973-1988) and after the FTA implementation (1989-2003) is used as a proxy for dispersion. As displayed in Figure B3, the dispersion in shares of trade types has decreased notably, suggesting that the trade patterns have converged during the integration process.

**Conclusion**

The bulk of Canada-US merchandise trade is of the intra-industry type. Intra-industry has been growing since the 1970's, accounting at that time for 60 per cent; increasing to over 70 per cent after 2000. In contrast, inter-industry trade has declined over time. Both horizontal intra-industry trade (differentiated products with similar attributes) and vertical intra-industry trade (products differentiated by quality) have increased since the eighties although vertical intra-industry trade has always been bigger than horizontal intra-industry trade. The dispersion in shares of trade types has decreased after the implementation of the Canada-US FTA, suggesting that the trade patterns in Canada and in the U.S. have converged during the integration process.

