

petroleum industry. UTCs according to our estimations are higher in the U.S. only in the electrical and leather sectors.

TABLE 9		
Calibrated Unobserved Trade Costs, in percent.		
	USA	Canada
Agriculture and Forestry	10.05	22.57
Food, Beverages and Tobacco	8.61	19.43
Textiles	5.65	10.35
Clothing	3.98	5.96
Wood Products	6.89	18.88
Furniture and Fixtures	3.83	8.74
Paper Products	13.22	26.33
Printing and Publishing	10.13	27.21
Chemicals, Fertilizers and Pharmaceuticals	8.68	17.95
Petroleum Products and Mineral Fuels	7.83	37.80
Leather, Rubber and Plastic Products	12.06	10.31
Non-metal Mineral Products	4.50	9.99
Metal Products	10.44	15.36
Non-electrical Machinery	3.18	3.28
Electrical Machinery	7.45	4.66
Transport Equipment	2.97	5.11
Miscellaneous Manufacturers	4.45	11.37
Mining and Quarrying other than Petrol.	6.64	17.95
Communication Services and Other Utilities	12.68	36.47
Construction	7.34	9.54
Wholesale Trade	16.70	45.43
Transportation and Storage	15.22	27.77
Financial Services	12.56	42.50
Personal, Business and Other Services	15.05	38.79

Bilateral trade effects

As UTCs are of significant magnitude, their elimination leads to a large increase of Canadian exports to the USA (Table 10). Ontario increases its exports to the USA by 48.62 percent while Canada East and Canada West increase their exports by 62.15 and 72.84 percent, respectively.

Canadian imports from the U.S. are even more impacted as UTCs in Canada are larger. Canada East and Canada West experience the largest increases in imports, following the elimination of UTCs, as high as 162.80 percent in the