data (table 4), but it is not a significant factor elsewhere. Results indicate a 1 percent decrease in the Canadian/U.S. real exchange rate increases American agricultural exports to Canada (post-agreement) by about 0.4 percent.

U.S. and Canadian data on agricultural imports and exports differ for reasons beyond what can be accounted for by product coverage and transshipments. (See table 9 and Annex Figure 1 for differences in data compiled by the two countries.) Because of the need to collect duties, enforce quotas, and in general keep domestic producers informed of their competition, imports are probably measured more accurately than exports. That was one reason why U.S. agricultural export data were aligned with Canadian agricultural import data in 1990. Unfortunately, that adjustment was confounded with the advent of the CFTA, biasing upward the regression coefficient for the CFTA/NAFTA impact on U.S. agricultural exports to Canada shown in table 3.

Table 4 contains the same regression equation specification as Table 3 but using Canadian data on agricultural trade. The result is significant positive coefficients for CFTA/NAFTA as in Table 3, but the agreement is estimated to increase U.S. agricultural exports to Canada by $481 million (versus $2,379 million based on U.S. data) and to boost Canadian agricultural exports to the U.S. by $2,203 million (versus $1,566 million based on U.S. data). If we arbitrarily average the two estimates to form the "best" estimate, then CFTA/NAFTA is estimated annually to add $1,430 million of U.S. agricultural exports to Canada and $1,884 million of Canadian agricultural exports to the United States. Thus CFTA/NAFTA contributed an estimated 25 percent of the $5.8 billion of U.S. agricultural exports to Canada in 1995.

The significant positive coefficients of the linear trend variable suggest that other forces were associated with steady growth in bilateral trade throughout the 27-year period. The estimated coefficients for this variable indicate that, once the effects of exchange rates and the CFTA/NAFTA are removed, Canadian exports to the U.S. grew each year at about the same rate as U.S. exports to Canada.

Our finding that the CFTA/NAFTA had a significant impact on agricultural exports is quite sensitive to specification of the model. More sophisticated analysis is called for to estimate the unique impacts of exchange rates and the agreement on bilateral agricultural trade.

More Trade of Manufactured Food Products

The CFTA/NAFTA appears to have encouraged a large expansion of bilateral trade in manufactured food products (excludes bulk commodities and raw materials). Prior to the CFTA, bilateral trade was limited by high tariffs and uncertainty. After CFTA, Canadian exports of manufactured food products to the United States were up 125 percent between years 1989 and 1994 alone. Exports to other destinations were up only 24 percent. On the other hand, Canadian imports from the United States were up 58 percent; from other countries up 37 percent (14, page 10).