

on the previous page decomposes U.S. imports into 12 main categories⁶ in absolute terms the U.S. has increased imports from Canada in all categories, (the largest increase was in oil, which increased \$60 billion over the past decade).

The 3rd column, titled constant market share effect, shows the value of Canadian exports if Canada had retained its initial 1995 market share (shown in dollar terms and as a percentage of the actual increase). Machinery and motor vehicles exhibit the largest constant market share effect; if Canada had kept its initial market share in these categories, the increase in U.S. imports would have been more than double the actual increase experienced. Overall competitiveness (the sum of the second and third term in the above equation) gives the effect of Canada's competitiveness relative to the rest of the imports in the U.S. market. In categories where Canada has lost market share, this is a negative effect. Machinery and motor vehicles again show the largest effect. The final column gives the measure of Canada's competitiveness relative to China (second term of the equation), in all categories except oil, Canada shows a strong effect from the loss of market share relative to China. For example, China has made the largest gains in machinery, electrical and motor vehicles in the U.S. market. Canada's loss of competitiveness relative to China is many times greater than its overall increase in these categories.

Table C4: Canadian Export Competitiveness in the U.S. Market.

Category	Increase in U.S. Imports from Canada 1995-2005	Constant Market share effect		Overall Competitiveness		Competitiveness viz. China	
	millions \$CAD	millions \$CAD	% of increase	millions \$CAD	% of increase	millions \$CAD	% of increase
Agriculture, Food & Bev	8,288	7,082	85	1,206	15	-18,188	-219
Ores and Metals	9,544	18,173	190	-8,630	-90	-93,153	-976
Oil	60,540	61,098	101	-558	-1	41,994	69
Chemicals	8,077	13,747	170	-5,669	-70	-19,417	-240
Plastic & Rubber	8,731	7,799	89	932	11	-15,947	-183
Wood And Paper	6,893	13,316	193	-6,423	-93	-53,505	-776
Clothing and Textiles	1,384	1,825	132	-441	-32	-3,202	-231
Machinery	5,514	11,090	201	-5,576	-101	-211,860	-3842
Electrical	3,607	5,728	159	-2,122	-59	-43,320	-1201
Motor Vehicles	18,837	40,243	214	-21,405	-114	-338,927	-1799
Other Transport	4,394	4,351	99	43	1	-17,319	-394
Misc. Manufactures	13,297	17,500	132	-4,203	-32	-35,679	-268
Total	149,106	195,618	131	-46,512	-31	-591,270	-397

Data for calculations obtained from Statistics Canada

The constant market share analysis of total U.S. imports of Canadian goods shows a constant market effect of 131 per cent, i.e. the increase in U.S. imports would have been 30 per cent greater if Canada had maintained its initial market share. Overall, the absolute change in relative market share of Canada vis-à-vis China is four times the actual value of the increase in U.S. imports from Canada.

In summary, revealed comparative advantage suggests that China is not a competitor to Canada in the U.S. market place since China's strengths are not in the same sectors as Canada. Using constant market share analysis to decompose the effects on growth of Canadian imports in the U.S., however, suggests that Canada

⁶ Agriculture, food and beverages: HS 01-24, Ores and Metals: HS 25,26,68-81, Oil: HS 27, Chemicals: HS 28-38, Plastic and Rubber: HS 38-40, Wood and Paper: HS 41-49, Clothing and Textiles: HS 50-67, Machinery: HS 84, Electrical: HS 85, Motor Vehicles: HS 87, Other Transport: HS 86,88,89, Misc Manufacturers: HS 82,83,90-98