- The Canadian share of U.S. agricultural imports started increasing 2 years prior to the CFTA, and has since continued to increase. The dip in 1995 was due to an unusually large increase in the value of U.S. exports to other countries (figures 3 and 4).

- The main source of growth in U.S. exports to Canada during the CFTA has been vegetables and vegetable products. Notable increases also occurred with fruits and their products, "other meat" (excludes poultry), and poultry (figures 5 and 6).

- Expansion of U.S. imports of grains, feeds, and related products accounts for much of the growth in total imports from Canada since the CFTA began. Expansion also occurred--before and after the CFTA--in meat products, oilseeds and products, and "fruits, nuts, vegetables, and their products" (figures 7 and 8).

- Averaged over the 14 years of data shown in figure 9, the value of U.S. agricultural imports from Canada has about equaled the value of exports to Canada.

Did the CFTA/NAFTA *Cause* the Increased Trade?

A number of factors other than the CFTA/NAFTA could have influenced bilateral agricultural trade since 1988. de Janvry (2), examining the impact of NAFTA on US-Mexico trade, used econometric analysis to separate effects of the agreement from effects of changes in per capita income, exchange rates, and a time trend. He found that over NAFTA's short life to mid-1996, the agreement increased U.S. exports to Mexico over what they would have been without NAFTA. However, NAFTA did not significantly increase Mexican exports to the United States.

The exchange rate also is likely to influence U.S.-Canadian trade. At the beginning of the agreement period the Canadian dollar was strong relative to the U.S. dollar. In recent years it has weakened. The drop in the value of the Canadian dollar would be expected to make Canadian goods more competitive in U.S. markets and make U.S. goods less competitive in Canadian markets.

We attempted to separate the impacts of the agreement on bilateral agricultural trade from (a) changes in the exchange rate, and (b) other forces--including growth in per capita income--associated with general growth in economic activity in both countries. We examined separately U.S. agricultural exports to Canada, and Canadian exports to the United States over the 27-year period 1969-1995--20 years prior to the agreement and seven years under the agreement. For this simple econometric analysis we assumed that three variables would capture most of the forces shaping bilateral trade since 1969: the CFTA/NAFTA, the real exchange rate, and a linear trend. The details are in tables 3 and 4.

This simple model accounts for most of the variation in bilateral agricultural trade, with the exchange rate and the agreement playing important roles. The real exchange rate is significantly associated with U.S. year-to-year movements in exports to Canada since 1969 based on Canadian