

The North American Economic Relationship

CUSLI, April 2009

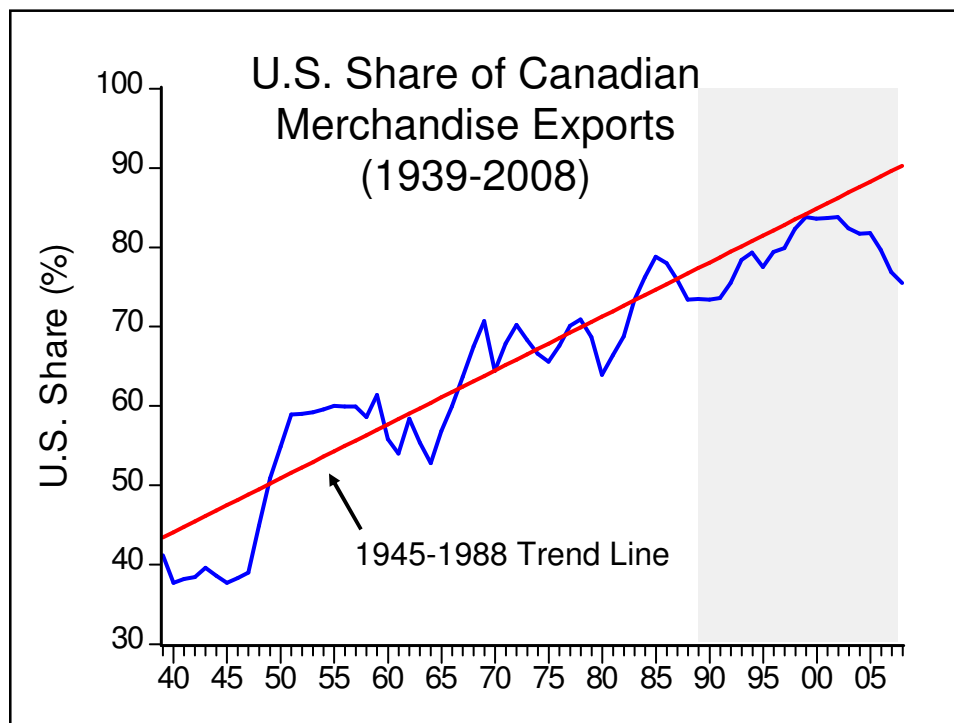
Paul Storer
Economics Department
Western Washington University

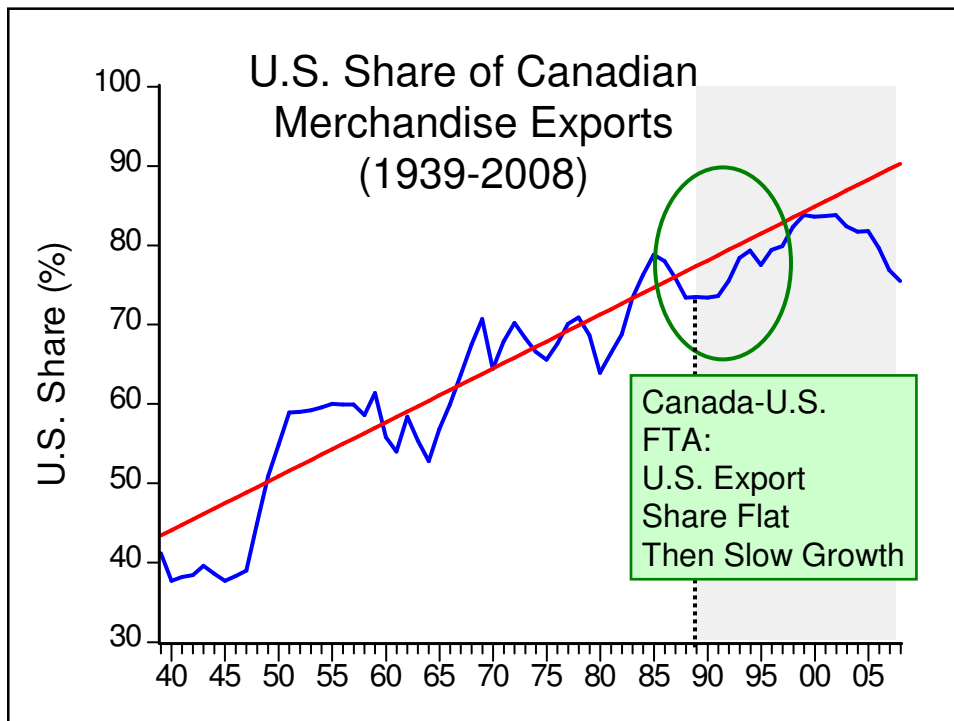
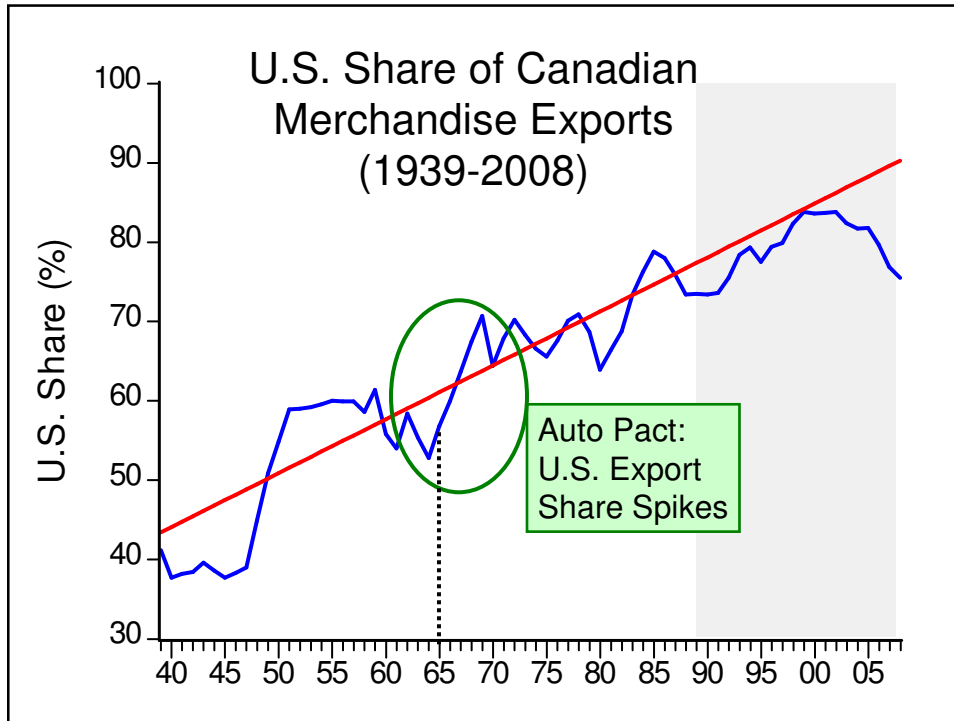
From the Auto Pact to the SPP

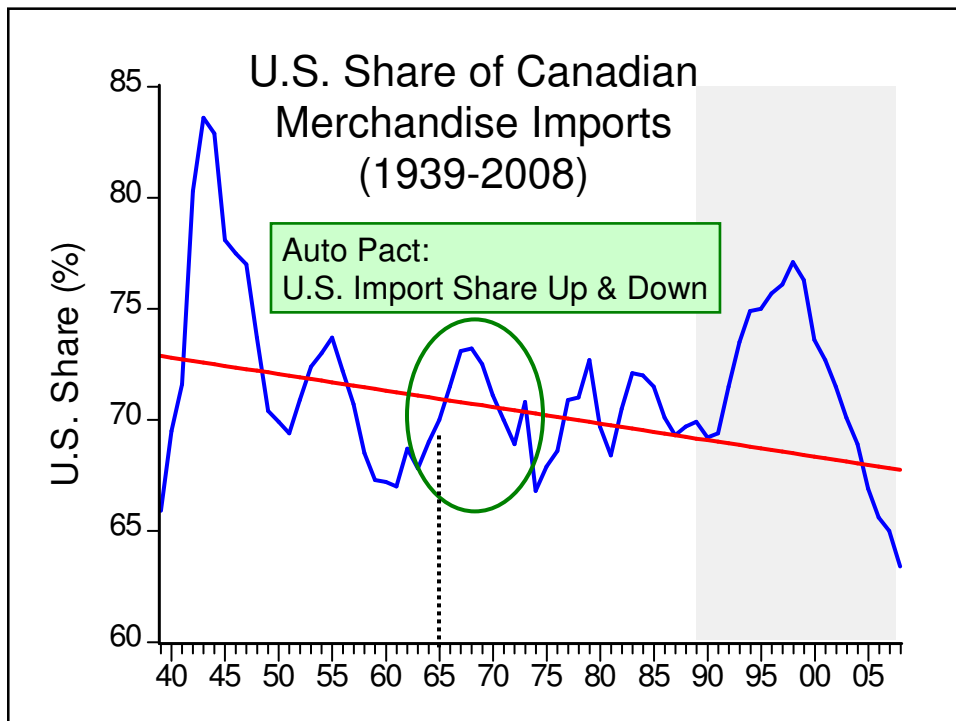
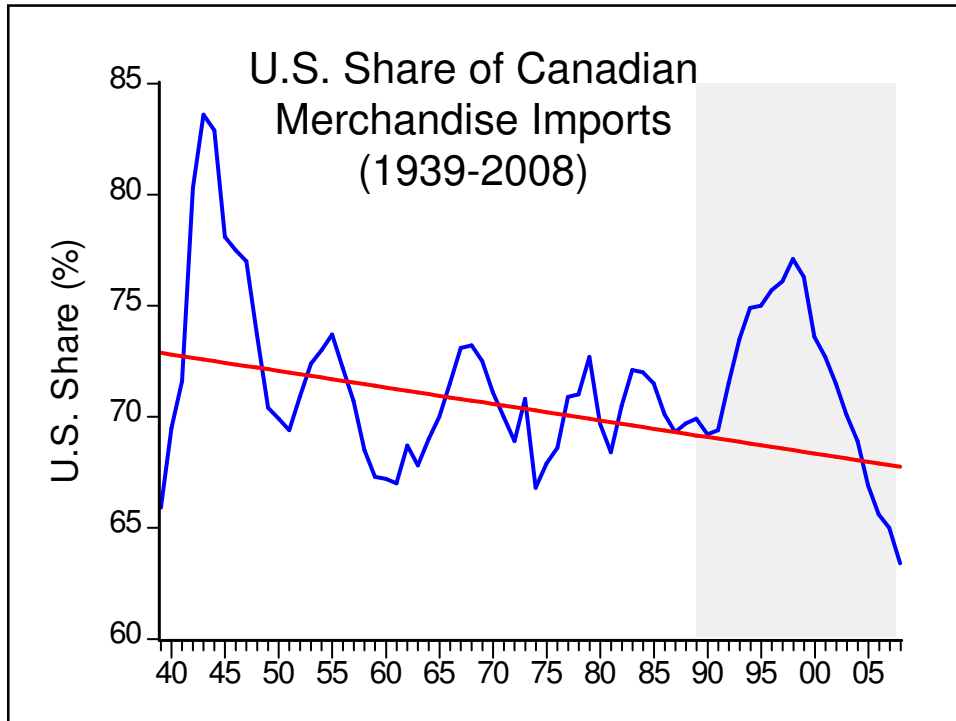
- U.S. share of Canadian trade is falling in recent years after showing past increases
- Nature and causes of recent changes:
 - Changes to intra-firm trade
 - Security effects?
 - Regulation and other impediments?
 - Pace of structural change

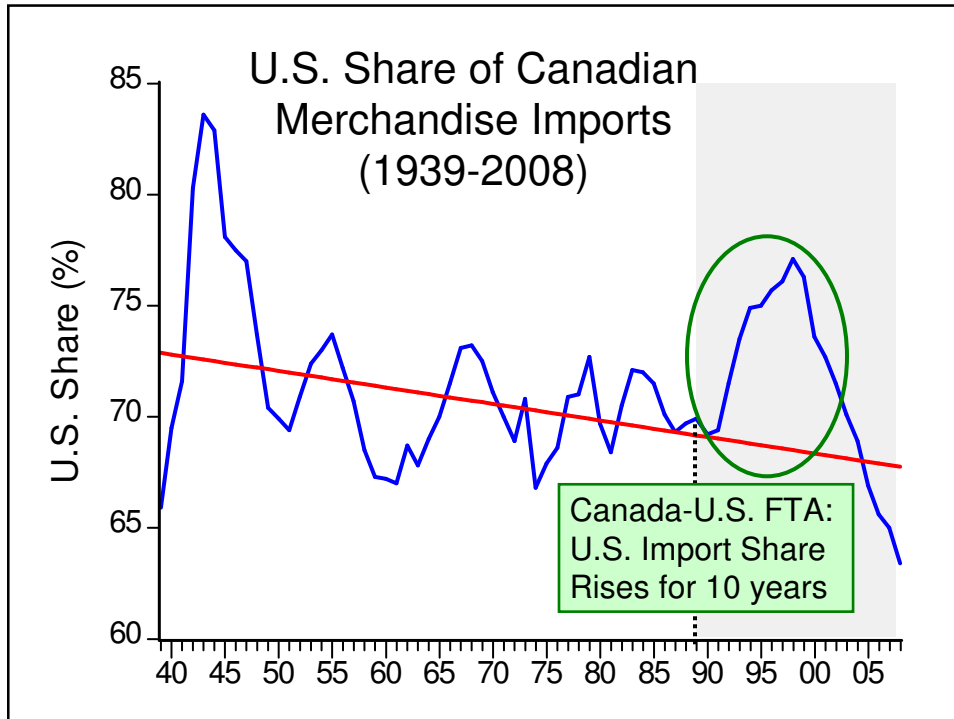
Trends in Canada-U.S. Trade

- 1965 Auto Pact
- 1989 Canada-U.S. FTA,
- 2001: post-9/11 security
- 2005: SPP



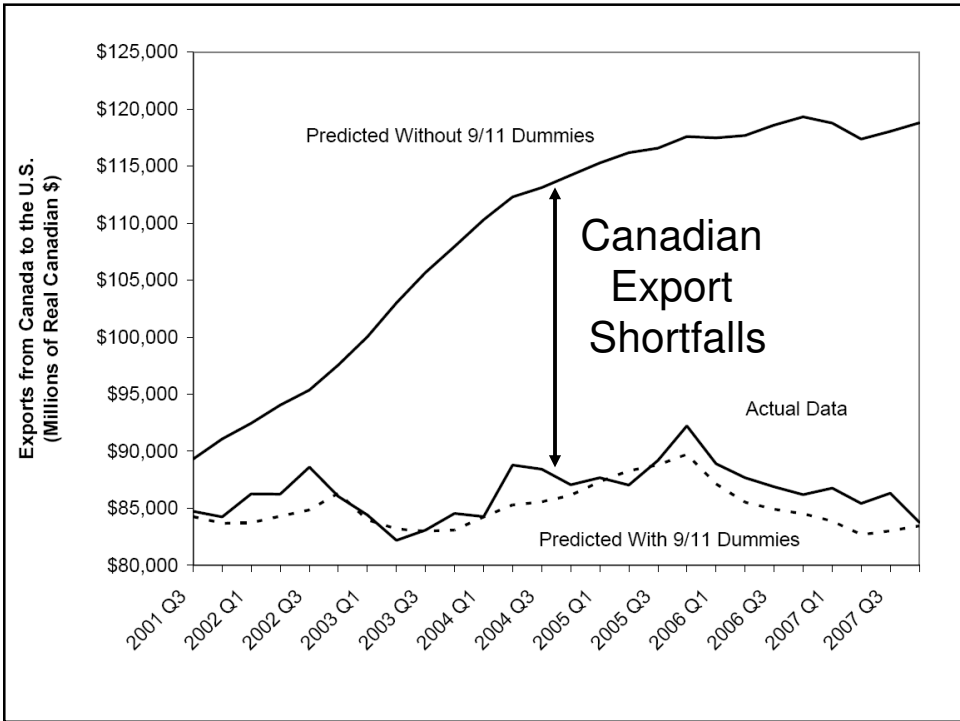






Trade Shortfall Effects

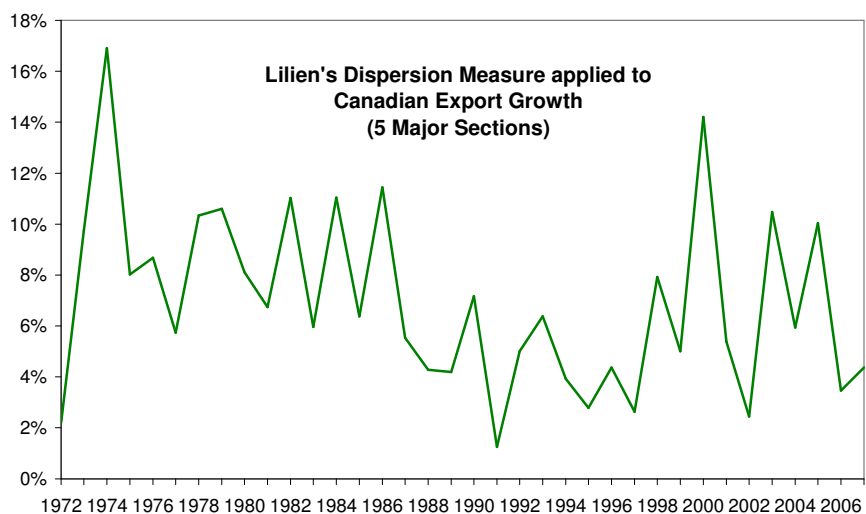
- Is Canada-U.S. Trade “stuck in neutral” as suggested by Goldfarb and Hodgson?
- Is Canada-U.S. trade below predicted levels?

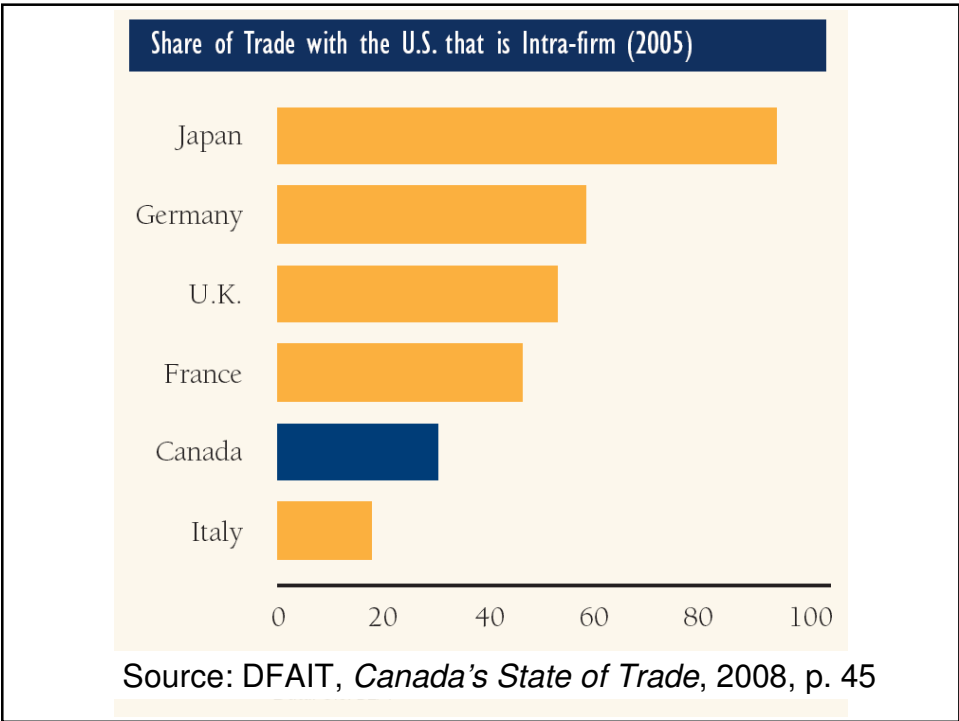
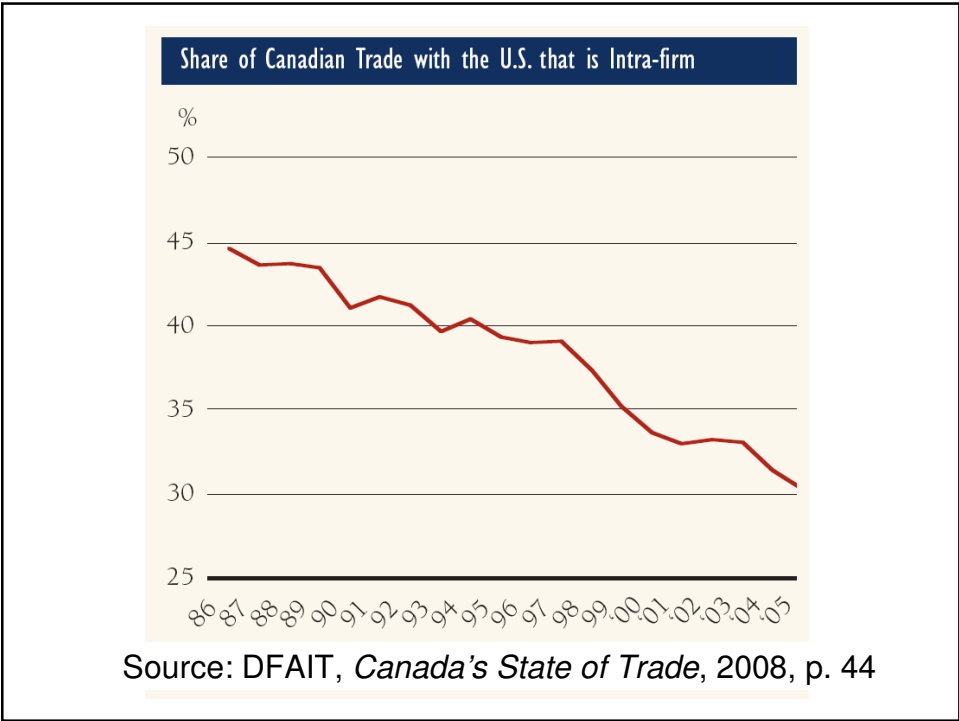


Structural Change and Trade

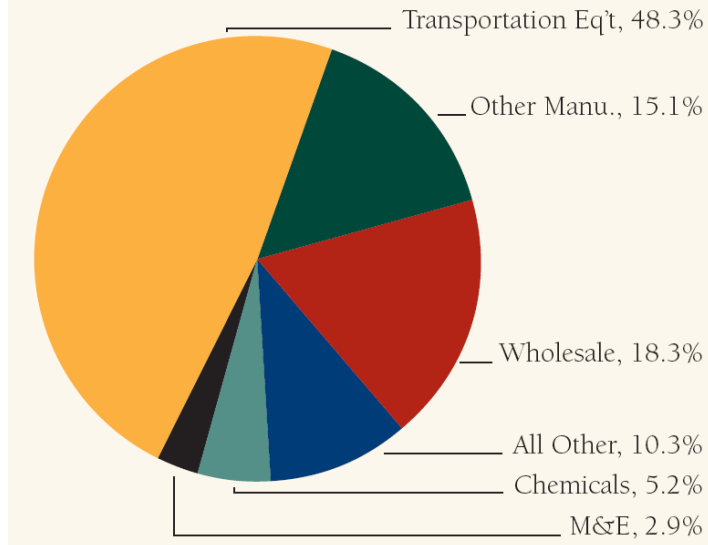
- Relatively high pace of reallocation
- Some evidence of increasing freight costs
- Declining intra-firm trade share
- Did the SPP make NAFTA more useful?

Export Patterns: Structural Change



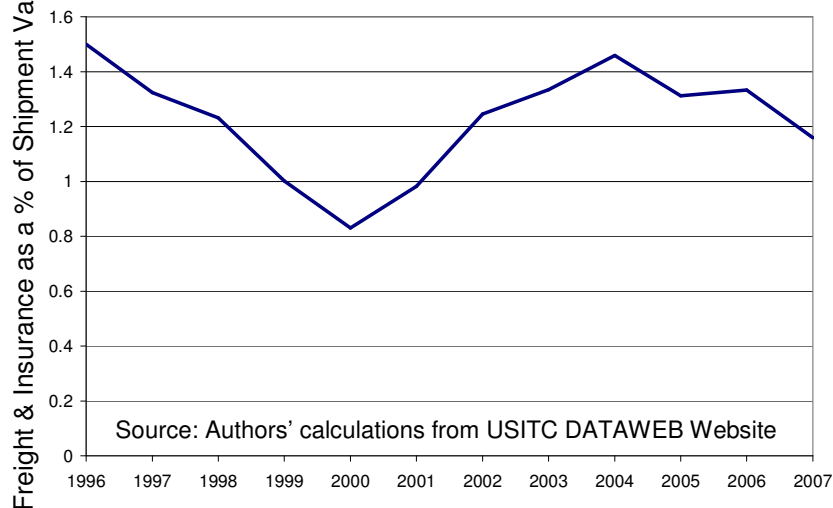


Canada-U.S. Intra-Firm Trade by Industry (2005)



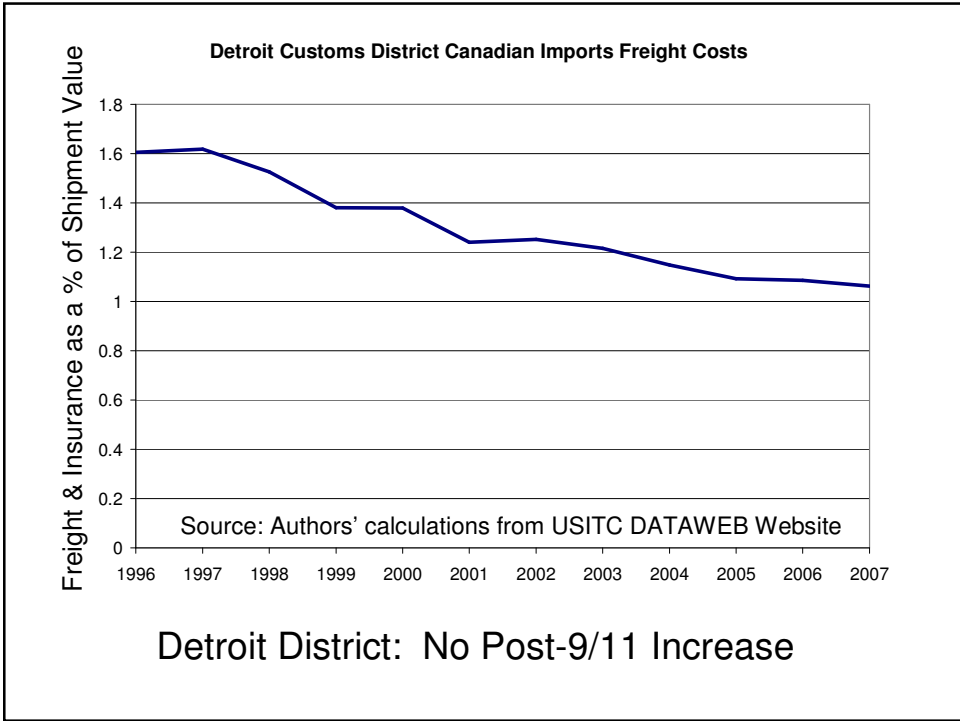
Source: DFAIT, *Canada's State of Trade*, 2008, p. 45

Seattle Customs District Canadian Import Freight Cost Ratio



Source: Authors' calculations from USITC DATAWEB Website

Seattle District: Substantial Post 9/11 Increase



Regional Variation in NAFTA Utilization Rates

Customs District	Rate	Customs District	Rate
Portland, ME	35%	Seattle, WA	32%
St Albans VT	23%	Great Falls, MT	35%
Ogdensburg NY	39%	Pembina, ND	37%
Buffalo NY	58%	Detroit, MI	72%

Source: USITC Dataweb

Conclusions

- Canada-U.S. trade has stagnated since roughly 2000
- Past liberalization efforts have had differential impacts on exports and imports
- Efforts under the SPP were likely too modest to offset pressures from security concerns, regulatory costs, and structural change