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**Alberta, Western Canada and the Canada-U.S.  
Free Trade Agreement  
1988-92**

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## EXECUTIVE SUMMARY

This report examines the exports of Alberta to the United States and other markets with special reference to 1992, the fourth year of the Agreement and 1988, the year immediately prior to the FTA. At certain points there are comparisons of export performance in 1992 with that in 1991. To provide context, the export records of the three other western provinces during these years is also evaluated. An appendix provides the export record of the four provinces at the two digit HS code level.

The principal empirical findings of the research are:

- (1) Evidence of strong growth in export shipments to the United States market for western Canada as a whole and each of the provinces.
- (2) Evidence of good export opportunities in the U. S. market is present not simply for the region as a whole, but for each of the provinces. In all provinces there was a relative increase at the aggregative level in the importance of the American market.
- (3) If 1992 is compared with 1991 the growth in exports to the American market was particularly strong. For western Canada the value of shipments to the American market rose by 21.9%. The provincial increases ranged between 18.7% in the case of Alberta to 27.9% for British Columbia.
- (4) The study identifies those two-digit HS code export categories (whose shipment value was at least \$10 million in 1992) which recorded an increase in shipment values from the pre-FTA year of 1988 to 1992. For Alberta, this amounted to 32 HS classes. For B. C., Manitoba, and Saskatchewan the numbers were 28, 22, and 15, respectively.
- (5) For the region as a whole, in those HS classes experiencing increased export values, some 63% of the growth represented shipments where the United States market was already dominant (defined as a 90% market share in 1988). 76% of the increase represented shipments where U. S. market share increased irrespective of initial market position.
- (7) Export experience under the FTA is very encouraging. While continuous monitoring is obviously necessary with a prospective NAFTA coming on stream, the export results to date are very positive.

## THE FTA EXPERIENCE FROM 1988-92

It is well understood that the impact of the FTA on the economy has since its inception been clouded by the pursuit of an anti-inflationary monetary policy resulting in substantial variations in the exchange rate, by a protracted recession and a relatively jobless recovery, by the introduction of a major change in the tax regime during the recession, and by constitutional uncertainty. These matters and others were outlined in a previous report on Alberta and western Canadian experience in the first three years of the FTA, submitted to FIGA by the Western Centre and the Centre for International Business Studies in the autumn of 1992. That Report concluded that unequivocal interpretation of the effects of the FTA based on the evidence of the 1988-91 period was difficult in the extreme. Data on export trade for the year 1992 is now available, and as in the previous Report we will first summarize the results in the aggregate for the 1988-92 period, and then assess the results of export trade at the two digit HS code level for each of the western provinces.

Table 1 provides aggregative information concerning the value of western Canadian exports for the region as a whole, and for each of the four provinces. The table shows annualized rates of growth from 1988 to 1992 in the value of (a) total exports, (b) exports to the American market, and (c) exports to the rest of the world excluding the U. S. Thus, the annualized growth rates represent changes occurring over four full years of the FTA. Analyses based solely on changes from a beginning to an ending year always requires a cautious interpretation, so the table has included as well a column showing aggregative changes in export values between 1991 and 1992. Perhaps the most notable feature of the table is what might readily be described as the surge in the value of shipments to the American market in 1992 compared with 1991. Shipments to the United States grew by double digit percentages not only for the region as a whole but for each province. This growth averaged almost 22% for the region, a growth shared by all provinces and ranging from almost 18.7% for Alberta to over 27.9% for British Columbia. Nothing equivalent to this surge was recorded in the previous three years of the FTA. While the limits of the data preclude econometric analysis, a reasonable inference is that western Canadian

exporters benefitted from increased market access provided by the FTA, and by the cyclical recovery, particularly after mid-year, evident in the American economy.

**Table 1**  
**Rate of Growth in the Value of Western Province Exports, in total, to the United States, and to the Rest of the World, 1988-92**

Provincial Export destination	% growth 1988-92 annualized	% growth 1991-92
Alberta to non-U. S.	1.5	-3.6
Alberta to the U. S.	10.6	18.7
Alberta Total exports	8.2	12.6
British Columbia to non-U. S.	-4.3	-2.2
British Columbia to the U. S.	3.2	27.9
British Columbia Total exports	-0.8	10.7
Saskatchewan to non-U. S.	-2.6	9.0
Saskatchewan to the U. S.	9.1	21.8
Saskatchewan Total exports	2.0	14.4
Manitoba to non-U. S.	3.8	17.4
Manitoba to the U. S.	7.2	22.8
Manitoba Total exports	5.9	20.6
Western Canada to non-U. S.	-2.1	0.9
Western Canada to the U. S.	7.7	21.9
Western Canada Total exports	3.4	12.8

Source: Appendix 1

Exports to non-U. S. market for Alberta and British Columbia declined absolutely in 1992 compared with 1991, particularly with respect to shipments to Asia Pacific countries. Economic difficulties in Japan and South Korea contributed to this. Exports from Manitoba and Saskatchewan to the rest of the world shared in the growth experienced by shipments to the American market.

The obvious effect of the large increase in 1992 over 1991 was to raise the annualized rates of growth in the the value of exports to the U. S. market over the years of the FTA. These annualized rates of growth now

range from 10.6% for Alberta to 3.2% for British Columbia. It is the growth in the American market which is largely responsible for the growth in total export values recorded over the 1988-92 period. Shifting spatial export markets are evident for the region as a whole and for each of the provinces.

Appendix 1 contains the value of total exports, exports to the American market, and exports to the rest of the world for Alberta and the other western provinces in the 1988-92 period at the two digit HS categories, 01 to 99. The Appendix also shows shipments to the U. S. as a market share of total shipments for the respective years 1988 and 1992 in each of these categories. Table 2 below extracts from the Appendix selected value and market share data for each of the provinces to round out the growth figures shown in Table 1. The Table serves as a point of departure for an examination of each HS two digit category.

**Table 2**  
**Comparison of Total Exports from the Provinces, and Shares to the U. S. Market, 1988 and 1992 (\$millions)**

	88 total exports	92 total exports	growth 1988-92	88 US mkt share	92 US mkt share
Alberta	\$13,008.7	\$18,048.6	\$5,039.9	.695	.767
ex HS 10	11,757.9	16,592.7	4,834.8	.764	.827
B.C.	17,419.2	16,846.0	-573.2	.427	.501
ex HS 10	17,384.4	16,803.4	-581	.427	.502
Manitoba	2,913.6	3,685.6	772.0	.582	.615
ex HS 10	2249.9	2774.3	524.4	.743	.800
Sask	5,766.7	6,239.7	473.0	.339	.450
ex HS 10	2,890.0	3,589.3	699.3	.653	.736

Source: Appendix 1

For each province the table reports the value of exports in 1988 and 1992 together with dollar growth, and U. S. market shares for 1988 and 1992. Similar data is reported for each of the provinces net of HS 10 which

permits a view of what happened in each province net of cereal shipments, commodities which are overwhelmingly shipped to other than American markets (though growth in durum shipments to that market have been notable. Total shipments to the American market display substantial variation from a market share low of .339 in 1988 for Saskatchewan to a high of .767 for Alberta in 1992. When HS 10 is excluded these market shares vary from a low of .427 in both years for British Columbia to a high of .827 in 1992 for Alberta. In every instance, however, the importance of the American market for exports in the aggregate increased during the period of the FTA. For exports net of HS 10 shipments the U. S. market increased in importance for all provinces. That market is dominant for the three prairie provinces accounting for from approximately \$70-83 of every \$100 of exports. Appendix 1 allows the reader to combine HS categories in any manner desired in order to assess export performance.

#### **COMMODITY EXPORTS TO THE AMERICAN MARKET BY TWO-DIGIT HS CODE: ALBERTA AND THE OTHER PROVINCES**

Over the 1988-92 period the numbers of HS categories (with shipments of \$10 million or greater in 1992) showing an increase in export values were 32, 28, 22, and 15 respectively for Alberta, British Columbia, Manitoba, and Saskatchewan. Column (2) lists those categories experiencing an increase in export values whose American market shares were .90 or greater in 1988. In column (3) are respectively for Alberta, British Columbia, Manitoba and Saskatchewan HS classes whose shipment values exceeded \$10 million in 1992, and which recorded (a) an increase in export values from 1988 to 1992, and (b) where there was an increase in U. S. market share.



**Table 3**  
**HS Categories in Each Province Showing an Increase in the Value of**  
**Export Shipments 1988-92**

Province	HS Cats. showing an increase in export values (1)	Those in (1) with US mkt share of at least .90 in 1988 (2)	HS Cats.in (1) whose US 1988 mkt share grew in 1992 (3)
Alberta	01, 02, 04, 07, 10, 11, 15, 16, 22, 23, 27, 28, 30, 31, 38, 41, 44, 47, 48, 55, 73, 75, 76, 81, 84, 85, 87, 88, 90, 94, 98, 99	01, 27 44, 47, 48	02, 07, 10, 15, 22, 23, 27, 30, 31, 38, 48, 76, 85, 88, 99
British Columbia	01, 03, 06, 08, 09, 10, 19, 20, 22, 28, 29, 37, 39, 44, 49, 61, 62, 72, 73, 82, 83, 84, 85, 90, 94, 97, 98, 99	01, 09, 37, 49, 61, 62, 73, 83, 99	03, 06, 19, 09, 20, 22, 29, 37, 39, 44, 49, 61, 82, 83, 84, 85, 90, 97, 99
Manitoba	01, 04, 07, 10, 11, 15, 17, 23, 27, 28, 41, 44, 49, 62, 72, 75, 85, 86, 87, 88, 94, 98	01, 17, 27, 44, 62, 72, 85, 86, 87, 88, 94	04, 07, 10, 15, 17, 28, 41, 44, 62, 86, 87, 94, 98
Sask	01, 02, 07, 11, 23, 27, 28, 38, 44, 48, 73, 84, 85, 90, 99	01, 02, 27, 28, 38, 44, 48, 73, 84, 85, 99	01, 11, 28, 38, 44, 73, 90, 99

Source: Appendix 1

Table 4 shows the sum of the increase in 1992 export values over those recorded in 1988 for the classifications in columns (1), (2), and (3). The table indicates that for the region as a whole some 63% of the increase in the value of shipments came from HS classes in which the U. S. market share in 1988 was at least 90% in one or more of the provinces, and just over 76% came from shipments in HS categories in which there was an increase in American market share irrespective of initial market positioning.

**Table 4**  
**Value of the Increase in Exports 1988-92**  
**for each of the 3 Category Columns in Table 3**  
**(\$millions)**

	Alberta	B. C.	Manitoba	Sask	West Canada
Value of HS Cats with an increase in exports	\$5,831.4	\$1,852.6	\$1,129.4	\$950.7	\$9764.1
Value of increase where US mkt share at least .90	4,293.5	507.1	528.6	789.4	6,118.6
Value of increase where US mkt share increased	4,928.0	1,660.6	441.5	431.2	7461.3

Adapted from Appendix 1

A further way of assessing the 1988-92 export trade experience is by separating the proportion of the increase in western Canadian shipments to the American market accounted for by HS 01 (livestock) and HS 27 (mineral fuels) from increases due to other classes. This can be summarized as follows (in \$millions):

(1) Total increase in western Canadian exports to the U. S.			\$7,226.3
(2) Increase in HS 01 shipments			\$547.2
of which	Alberta	\$202.6	
	B. C.	24.3	
	Manitoba	129.2	
	Sask	191.1	
(3) Increase in HS 27 shipments			\$4,409.9
of which	Alberta	\$3,791.4	
	B. C.	92.8	
	Manitoba	178.2	
	Sask	342.5	
(4) Sum of the increase in HS 01 and 27			\$4,952.1
(5) Share of HS 01 and HS 27 in total the increase			68.5%
(6) Dollar increase in shipments of all other HS categories			\$2,274.2

The increase in the value of exports to the U. S. market accounted for all other HS categories was \$2,274.2 millions, or 19.2% above their 1988 levels. This increase, shared across all provinces, contrasts quite dramatically with the decline of \$1,517.2 millions between 1988 and 1992 in total western Canadian shipments to foreign market other than the U. S. The evidence clearly supports the advantages to western Canadian exporters of a more accessible American market.

## CONCLUSION

The preceding analysis has utilized export data by two digit HS codes for the years 1988 and 1992 for our highly trade dependent region. It is possible to say that as the time during which the FTA has been in place lengthens and a greater degree of structural change is realized, the market access benefits to Alberta and western Canadian exporters become more apparent despite the limited character of the cyclical recovery in the U. S. economy. Further monitoring of the results of the FTA and a prospective NAFTA remain appropriate.