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Border closing or no, U.S.-Canada trade likely to decline

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Government officials promise that the closing of the U.S.-Canada border to stem the spread of the novel coronavirus won't affect trade between the two partners, but a slowdown may be inevitable as the two countries work out what business purposes should be deemed "essential."

Prime Minister Justin Trudeau said Wednesday that deliveries of food, fuel and medicines would continue under the agreement. But for a binational relationship with tight cultural and commercial ties, many specifics remained unanswered.

"They've focused on supply chains, which is good, they've focused on the crew of an airplane, the driver of a truck ... but what they need to focus on and what we need more guidance on right away is essential commercial travel," said Maryscott Greenwood, a former diplomat who now heads the Canadian-American Business Council. "What is that, who qualifies, how will you decide and, if there is a disagreement, how do you resolve it?"

Greenwood said one example is specialized utility company employees from Canada who may need to cross to work on plants or equipment in the United States.

The U.S. Department of Homeland Security is still working out the details with Canadian counterparts Wednesday after both countries' leaders announced the contours of the deal.

Greenwood warned that an "ad hoc" system "would create chaos at the border."

"It would be counterproductive and counterintuitive and an incredibly bad idea to restrict essential commercial travel in a way that harms the economy," she said.

U.S. Customs and Border Protection announced Wednesday evening that it will close its enrollment centers for Trusted Traveler programs beginning Thursday until "at least" May 1 to limit employees' and the public's exposure to the virus. That could make it more difficult for any worker who is considered "essential" but whose membership in expedited entry lanes has lapsed to cross the border.

The overarching economic worries won't be helped by the border restrictions. During the 2008-09 financial crisis, global trade volumes plunged sharply as consumer demand and business activity dried up, as is currently happening because of coronavirus fears.

Two-way U.S. trade with Canada and Mexico also took a hit during the 2008 financial crisis. U.S. exports to its northern neighbor dropped by 21 percent and imports from that country fell by one-third. U.S. exports to Mexico fell nearly 15 percent and imports from below the border fell 18 percent.

It took two years for overall U.S. exports to return to pre-crisis levels and three years for imports to fully bounce back.

The U.S.-Canada goods trade last year was \$612 billion, or about 15 percent of total U.S. trade, according to U.S. Census data. Oil and vehicles and their parts were among the biggest U.S. imports in 2019, while cars, trucks and auto parts were among the top exports to Canada.

Trump administration officials say they expect a quick recovery once the coronavirus passes and companies resume full operations and consumers begin spending freely again.

Some economists caution that the return to normalcy could be hard to predict.

"In 2008-09, there was a lot of bad debt that needed to be purged of the system. It took several years for the rebound to begin to take hold," said Dan Ikenson, director of the Cato Institute's Center for Trade Policy Studies. "It's unclear how quickly economies will rebound from the pandemic. We are in the process of putting the economy into an induced coma and it's anyone's guess how the patient will react once it's reawakened."

Deputy Prime Minister Chrystia Freeland said the coming restrictions "will in no way impede the essential trade happening" across the border, without delving into how that will be defined.

"We understand on both sides of the border," she said. "The last thing the Canadian or U.S. economies need right now is another blow."

DHS did not respond to a request for comment on the forthcoming joint statement, though people who work on cross-border relations said they expect it later Wednesday. Freeland indicated that the restrictions would go into effect within hours or days.

The announcement marks the most dramatic limits to the shared land border since the Sept. 11, 2001, terrorist attacks, when all ports of entry were shuttered for days.

"If there's anything to learn from 9/11, it's that decisions governing the management of the border need to be made jointly and that there needs to be absolute clarity about what those decisions mean in terms of facilitating the movement of everyday travelers, workers and goods between the two countries," said Mark Fisher, president and CEO of the Council of the Great Lakes Region.

Daniel Ujcz, an international trade lawyer at Dickinson Wright, said the two countries' stewardship of the border has drastically changed in the decades since, with greater investments in screening technologies and human resources and border agencies that frequently talk to each other. Plus, he said, the threat this time is known, unlike the days immediately following Sept. 11 when more attacks were feared.

Trusted trade programs borne out of that time — FAST, Partners in Protection and the Customs-Trade Partnership Against Terrorism — also offer a starting point for security officials to determine which businesses should have priority to cross, Ujcz said.

“It’s a different reality,” he said.

Still, Fisher suggested that some trade flows, like the food and medical supplies already highlighted by Trudeau, may need to be prioritized over others while keeping watch on the economic impacts of the tightened border.

“I think certain judgments are going to have to be made,” he said.