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What does the U.S. trade with Canada? The following 5 commodity categories account for over half of our bilateral trade.

Commodity	Imports from Canada	Exports to Canada
Motor Vehicles/ parts	21%	18%
Mineral Fuels	19%	6%
Machinery	7%	15%
Electrical Machinery	3%	9%
Plastics	—	5%
Wood	4%	—

Table 1. Top bilaterally traded commodities between Canada and the U.S.¹

With the exception of mineral fuels, all of the above commodities have declined in their relative percentage of both U.S. exports and imports since 2010. For example, in 2010, the U.S. imported 25% of its motor vehicles and parts from Canada. That number fell to 21% in 2016 (down from 34% in 2000). At the same time, imports of motor vehicles and parts from Mexico grew from 22% in 2010 to 27% in 2016.

Introduction. The United States and Canada are entering a new political relationship that may lead to changes in economic relations between the two nations in the near future. Understanding current bilateral trade trends between the U.S. and Canada can help to inform predictions of future trade patterns if relations remain constant and to determine impacts if changes do occur. This Border Policy Brief explores trade patterns at the national scale, as well as trends in top bilaterally traded commodities and the ports that process them. The Brief provides an update to a previous BPRI research project authored by Gliberman and Storer (2014), which predicted port infrastructure needs based on projected changes in the top bilaterally traded commodities between the U.S. and Canada.² Recent transportation and census data indicate that many of the trends observed in 2014 are still indicative of today, although there are some notable differences in the pre- and post-recession years.

Stability of the Canada—U.S. Trade Relationship. Canada’s share of global trade with the U.S. has been declining since the mid-1990s, displaced primarily by increased trade with Mexico and China. At the same time, the monetary value of Canada—U.S. trade has continued to grow with the exception of the 2014-2016 period which can be explained by the dramatic fall in oil prices and in the value of the Canadian dollar, both of which began in 2014. Canada remains vital to U.S. international trade, receiving 18.3% of U.S. exports and supplying 12.6% of U.S. imports (by value).³ U.S. import volumes (measured by weight for all surface modes) recovered post-recession, yet remain below the pre-recession peak seen in 2004.⁴

The Role of Oil and Exchange Rates. Mineral fuels are the second most bilaterally traded commodity between the U.S. and Canada and thus have a measurable impact on the bilateral trade relationship. Between 2014 and 2015 overall import values from Canada fell by 15%, but when mineral fuels are removed, the decrease in imports from Canada was only about 2.5%. In addition, import *volumes* dropped by less than 1% between 2014 and 2015. This is likely attributable to the lower cost of Canadian goods given the exchange rate and relative strength of the U.S. dollar. These two factors- the decline in the value of oil imports and a weaker Canadian dollar - help to explain why the number of trucks entering the U.S. grew between 2014 and 2015 despite a decrease in the overall value of imports (i.e., volumes may still be increasing despite a decrease in values). This is an important consideration when predicting traffic trends and port infrastructure needs, as the monetary value of bilateral trade does not necessarily reflect the physical volume of goods crossing the border.

Commodities and Ports. The mix of bilaterally traded commodities and the ports where they are processed has remained relatively constant in the pre-recession (2000 to 2007) and post-recession (2010 to 2016) time periods. When comparing six of the most highly traded commodities between the U.S. and Canada (see Table 1, previous page) only electrical machinery has seen a significant shift in the ports where it was processed between 2007 and 2016. On a macro scale, there has been no statistically significant change in the composition of commodities across ports. Together, the lack of change in both what is being traded and where it is moving across the border signals that post-recession trade trends have not dramatically diverged from pre-recessionary ones. However, there are exceptions to this national trend at the commodity level, particularly for motor vehicles and parts, which have long been a top bilaterally traded commodity between the U.S. and Canada. The value of U.S. exports of motor vehicles and parts has continued to grow since 1990, but imports have stagnated since 2000.⁵

Different Trends in Vehicle Volumes. Overall, truck volumes at the eight busiest U.S. land ports on the Canadian border fell by 16% between 2000 and 2016. Although 2000 was a peak year for truck crossings, it is notable that volumes have remained below 2000 levels since (2016 volumes resembled those seen in 1997, See Figure 1 below). It is also noteworthy that ALL of the eight busiest U.S. ports on the Canadian border experienced declines in the number of trucks crossing between 2000 and 2016 (See Table 2).

Despite an overall trend in lower truck volumes over the last 25 years, the recent period of economic expansion has brought slow, yet fairly steady increases in truck volumes. The number of trucks entering the U.S. from Canada fell by 8% between 2000 and 2007, however, between 2010 and 2016 volumes grew by nearly 8%. So, despite overall lower volumes since 2000, the recent period of economic expansion exhibited a reversal of the pre-recession trend in declining truck volumes. However, pre- and post-recession trends have unfolded differently at different ports (see Table 2).

In a pattern similar to truck volumes, passenger vehicle volumes have remained below 2000 levels, and had been dropping fairly consistently since 1995, with the exception of the 2010-2013 time period when the Canadian dollar was strong. This national trend, however, is much more varied at the individual port level. Blaine and Pembina are the only ports that had larger passenger vehicle volumes in 2016 than in 2000. Detroit, Buffalo, and Port Huron had 44%, 35%, and 25% fewer passenger vehicles respectively in 2016 than in 2000.

Figure 1. Truck and Passenger Vehicle Volumes from Canada to U.S., 1995-2016⁵

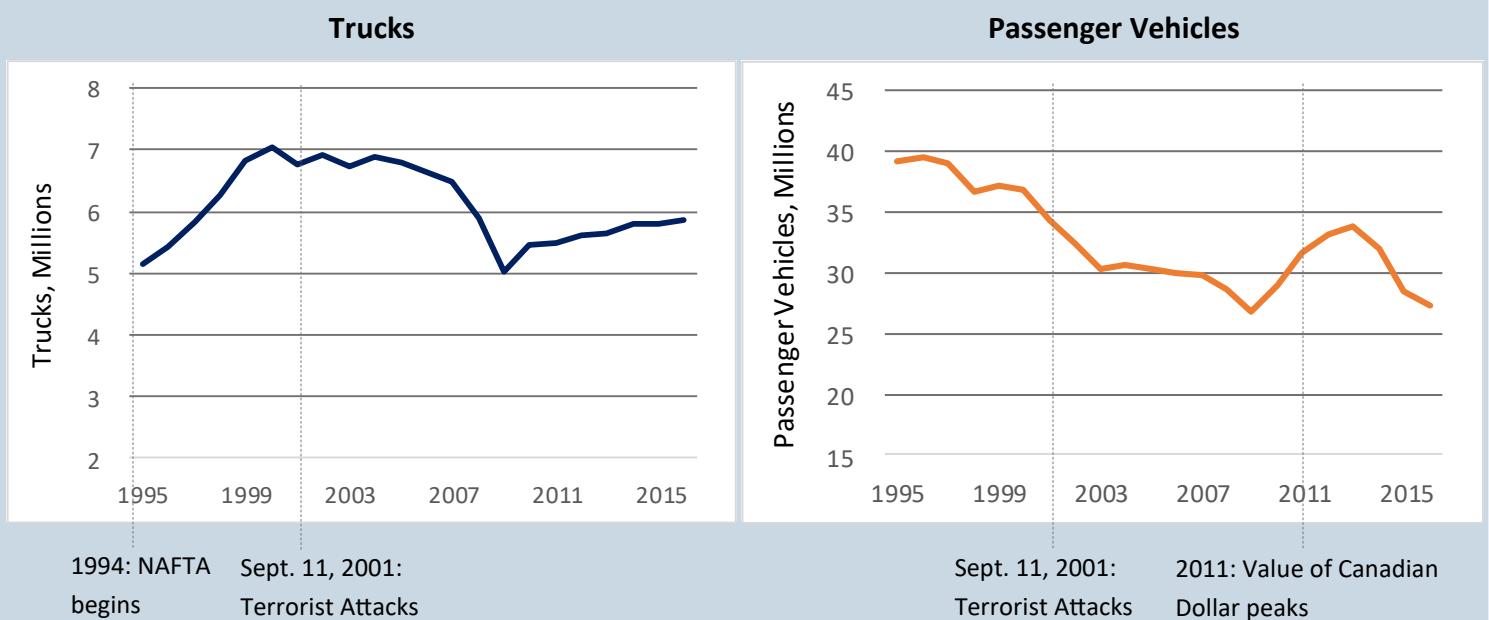


Table 2. Percent Changes in Trucks and Passenger Vehicles in the Pre- and Post-Recession Time Periods at the Eight Busiest Land Ports on the Canada—U.S. Border. ⁵

Port	Trucks		Passenger Vehicles	
	2000-2007	2010-2016	2000-2007	2010-2016
Alexandria Bay, NY	-24.9%	12.0%	-3.7%	-13.9%
Champlain-Rouses Pt, NY*	-0.9%	0.1%	4.4%	-1.7%
Buffalo-Niagara Falls, NY*	-9.2%	6.4%	-21.9%	-12.5%
Blaine, WA	-31.0%	14.9%	-17.1%	15.9%
Pembina, ND	6.6%	5.6%	34.1%	-11.0%
International Falls, MN	-45.1%	-26.3%	-4.3%	-12.2%
Detroit, MI*	0.2%	10.0%	-34.5%	-0.3%
Port Huron, MI* ⁶	-8.2%	24.4%	-26.9%	-5.4%
All Canadian—U.S. land ports	-8.1%	7.9%	-19.3%	-5.4%

**ports experiencing a decline in total trade values between 2007 and 2016*

Overall, the number of passenger vehicles entering the U.S. from Canada declined during the post-recession period between 2010 and 2016. The declines seen in this period however were smaller than in the 2000-2007 period. This is in stark contrast to the number of trucks entering the U.S. which increased considerably over the post-recession period. Only Blaine saw an increase in the number of passenger vehicles entering the U.S. during the post-recession period while both Champlain-Rouses Point and Pembina had increasing passenger vehicle counts during the pre-recession period.

Evaluating past predictions. In 2014, BPRI published a Border Brief and full-length research report that projected how overall bilateral trade between the U.S. and Canada would change, focusing on prominent bilaterally traded commodities, and changes in the relative importance of specific northern border land ports in terms of trade flows through those ports.⁷ Much of this study was based on the assumption that future trade trends would follow previous ones and that trade growth between Canada and the U.S. will continue to slow, particularly for Canadian exports to the U.S.—a situation that would be observed primarily in the motor vehicle and parts industry. The study considered trends from 1990 to 2013 and characterized different ports based on above average, average, and below average growth. This current Brief evaluates these characterizations within the context of pre- and post-recession time frames. The share of imports and exports across the eight largest ports has not changed significantly since, nor has the distribution of commodities moving through those ports. There are two factors that have heavily influenced Canada—U.S. trade trends in the post-recession time frame: the value of the Canadian dollar and the price of oil. This makes a direct comparison with the 2014 study, which was based on bilateral trade values, a difficult one. However, the 2010 to 2016 time period exhibits similar trends to those predicted in the 2014 study for individual ports (See Figure 2). In addition, the slowed pace of GDP growth assumed in the 2014 predictions has indeed continued in the post-recession recovery, with average U.S. GDP growth at 2.09% between 2010 to 2016, down from 2.65% between 2000 and 2007. Average GDP growth remains higher than the Conference Board of Canada forecasts, and has remained more stable than in the years leading up to the 2008 recession. However, after two years of sustained growth, GDP fell by a full percentage point in 2016, from 2.6% to 1.6%.⁸

Policy Implications. The overall trade relationship between the U.S. and Canada has remained relatively stable over the past sixteen years, with the exception of the 2008 recession. Shifts in commodity trade that have occurred have done so at a moderate pace, allowing for ports to respond to changes in processing demand. Shifts to U.S.—Canada trade relations, however, have the potential to produce sudden changes to the commodity mix and the volume of trade between the two nations. The renegotiation of NAFTA presents interesting possibilities both for national trade trends and for individual port needs. Ports that are dominated by processing a relatively small number of commodities could see drastic shifts in both staffing and infrastructure needs. The large ports of Buffalo, Port Huron and Detroit, for example, are heavily dominated by trade in motor vehicles and parts. If the NAFTA renegotiations result in stricter rules of origin for automobile manufacturing, this could reduce the number of trucks moving through these ports. In addition, cross-border commuters could be impacted by changes to NAFTA if certain visa/status categories are altered or revoked. This may have a disproportionate impact on the Detroit—Windsor crossing for example, where a sizable number of Canadian nurses cross daily to work in Michigan.

In order to assess policy impacts on the Canada—U.S. trade relationship, it is important to recognize the vertical linkages that span the border and the regional nature of cross-border trade.⁹ Trade and traffic is funneled through a relatively small number of ports, with 90% of Canada—U.S. trade processed at the eight ports listed in Table 2. There is a distinct manufacturing corridor in the U.S. Midwest, connecting the ports of Detroit on the Canadian border and Laredo on the Mexican border. Modifications to the integrated supply chain that connects these borders will have an impact on ports on both borders. It is critical for U.S. policymakers and inspection agencies to consider national *and* regional implications of shifts to Canada—U.S. trade as the impacts may be far reaching.

The uncertainty created by the current policy environment, combined with the regional implications of national policy decisions, underscores the need for a dynamic approach to managing port infrastructure, rather than costly brick and mortar investments. Alternative approaches that can reduce processing times, such as the increased use of RFID¹⁰ and enrollment in trusted traveler and trader programs, can greatly impact queue lengths, wait-times, and overall border efficiencies.

Endnotes

1. Source: U.S. International Trade Commission International Database, <http://dataweb.usitc.gov>.
2. See Globerman, S. and Storer, P. “An Assessment of Future Bilateral Trade Flows and their Implications for U.S. Border Infrastructure Investment” BPRI Research Report No. 21 (2014). Available at http://www.wvu.edu/bpri/files/2014_Globerman_Storer_Report_21.pdf. Border Policy Research Institute, “Implications of Trade Trends Upon Canada—U.S. Border Infrastructure,” Border Policy Brief Volume 9, No. 4 (Fall, 2014). Available at http://www.wvu.edu/bpri/files/2014_Fall_Border_Brief.pdf.
3. Source: U.S. International Trade Commission International Database, <http://dataweb.usitc.gov>.
4. Comparable data on U.S. export weights is not available from the United States Bureau of Transportation Statistics.
5. Source: Bureau of Transportation Statistics, <https://www.bts.gov/transborder>.
6. Note that if oil is excluded, Port Huron actually saw an increase in total trade between 2007 and 2016.
7. See Globerman, S. and Storer, P. “An Assessment of Future Bilateral Trade Flows and their Implications for U.S. Border Infrastructure Investment” BPRI Research Report No. 21 (2014). Available at http://www.wvu.edu/bpri/files/2014_Globerman_Storer_Report_21.pdf and Border Policy Research Institute, “Implications of Trade Trends Upon Canada—U.S. Border Infrastructure,” Border Policy Brief Volume 9, No. 4 (Fall, 2014). Available at http://www.wvu.edu/bpri/files/2014_Fall_Border_Brief.pdf
8. Source: Conference Board of Canada, <http://www.conferenceboard.ca/>, and The World Bank, <https://data.worldbank.org/indicator>.
9. See Border Policy Research Institute, “Land-Based Freight Flows Between the U.S. and its NAFTA Neighbors” Border Policy Brief Volume 11 (Fall, 2016). Available at http://www.wvu.edu/bpri/files/2016_Fall_Border_Brief.pdf.
10. See Border Policy Research Institute, “Is RFID the Answer to Resurgent Border Traffic?” Border Policy Brief Volume 7, No. 1 (Winter, 2012). Available at http://www.wvu.edu/bpri/files/2012_Winter_Border_Brief.pdf. “A Business Case for Increasing RFID at the Canada—U.S. Land Border.” Available at http://www.wvu.edu/bpri/files/2015_RFID_Business_Case_WCOG.pdf