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## In a Trade War with Canada, Florida Loses

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As everyone knows, it's not a good idea to pick a fight with your neighbors, especially if they have no intention of moving. Unfortunately, this lesson seems to have escaped certain quarters of the Trump Administration that have ratcheted up trade tensions with both Mexico and now Canada.

While Mexico has been the administration's piñata since day one, Canada, thinking it was free and clear from protectionist actions by the administration, and in light of the warm and positive meeting between President Trump and Prime Minister Trudeau, received a rude awakening last month.

On April 24th the U.S. Department of Commerce imposed duties averaging 20% on imports of Canadian softwood lumber (expect a rise in new housing costs), alleging that Canadian firms pay too little to harvest trees. Dairy farmers and producers of steel and energy are also slated for punishment, with the U.S. claiming unfair trade practices such as subsidization and dumping. (Never mind that that U.S. import restrictions and tax subsidies to the tune of billions of dollars support agriculture, financial services, utilities, oil and gas, telecoms and scores of other industries.)

U.S. retaliation aimed at Canadian dairy is especially egregious and absurd. Any objective evaluation of the situation will bear out the fact that Canada's dairy policies are not the cause of financial loss for dairy farmers in the United States. The latest USDA dairy outlook report clearly indicates that poor results in the U.S. sector are due to U.S. and global overproduction. As made clear in the report, Canada is not a contributor to the overproduction problem. Noteworthy also is that fact that dairy trade between Canada and the U.S. favors the U.S. by 5 to 1. During the last five years, U.S. exports of milk protein substances, including diafiltered milk to Canada tripled, reaching \$90 million in 2016.

Under the NAFTA, the U.S. has duty-free and quota-free access for milk protein substances, including diafiltered milk. This duty-free and quota-free access has not changed

Why should Floridians care about these unfortunate developments in U.S.-Canadian trade relations? Because Canada and Florida are natural, complementary partners for both business and leisure. In fact, Canada remains Florida's #1 global economic partner, according to an economic impact study prepared for the Consulate General of Canada in Miami.

Canada is Florida's fourth largest international investor, mainly concentrated in manufacturing, construction, real estate, technical and professional services, and transportation and warehousing. As for exports, Canada's total merchandise exports to the Florida market have grown by about one-half over the past three years and are now valued at about US\$5 billion annually, according to Enterprise Florida. In addition to consumer goods, many Canadian products shipped to Florida are intermediate

production inputs for Florida's leading industries such as aerospace, information technology, and medical device manufacturers.

On the import side, Canadian imports from Florida have grown by over 50% over the past decade, and today Canada ranks second to Brazil as the world's largest market for goods made in Florida. Canadian businesses and consumers import some \$3-4 billion worth of Florida-origin goods each year including IT products, aerospace products and parts, medical devices and equipment, fertilizers, pharmaceuticals, electronic components, telecommunications equipment, fruits and vegetables (including orange juice), packaged foods, motor vehicle parts, ships and boats, metal products, and nursery plants.

The strong and growing partnership between Canada and Florida is unquestionably one of mutual benefit. In a trade war with Canada, Florida is bound to lose as more than a few Canadian tourists may decide to vacation in the Caribbean instead, while Canadian investors may refrain from moving ahead with their projects, and retaliatory actions by Canada vis-à-vis-U.S. exports to Canada would negatively impact Florida's exports, as well.

Hopefully, clearer heads in the administration will prevail and de-escalate the trade tensions and rescind any punitive actions by the Trump administration. Canada is not a good neighbor; it is a great neighbor—one whose trade, investment, and commercial activities are highly beneficial to our state, our region and our community.

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