The COVID-19 Border Restrictions and Cascadia

On February 29, 2020, the first death from COVID-19 occurred in Washington State. Over the weeks following, both Washington State and British Columbia implemented various efforts aimed at reducing the spread of the virus. These state and provincial measures aimed at limiting mobility overlapped with the bilateral decision by the U.S. and Canada to limit cross-border travel. The border restrictions, which went into effect on March 21st, placed limits on all ‘non-essential’ passenger travel between the two countries, while maintaining the flow of commercial cargo. Such restrictions have never before been implemented between the U.S. and Canada and their impacts are considerable.

The Washington – Canada Relationship

Washington State has long enjoyed a very close trade relationship with our neighbors to the north. In 2019, Canada was our top trading partner, receiving 14% of state exports and supplying 28% of state imports. Even though commercial traffic is unaffected by the border restrictions, truck traffic dropped by 20% following the restrictions, largely as a result of supply chain disruptions and weakened consumer demand. Truck volumes have since increased and are currently near typical volumes. However, trade value remains lower than normal.

The relationship between Washington State and Canada is of course about much more than just trade flows. Every year, millions of Canadian visits are made across the border by tourists, business travelers, property owners, and families. In 2019, travelers entered Washington from British Columbia (B.C.) via a diverse network of cross-border infrastructure including air service, Amtrak Cascades rail, the Coho Ferry, Victoria Clipper, and Washington State Ferries. With the exception of air travel (which is not subject to the restrictions on non-essential travel), all of these routes are currently suspended. There are also five ports-of-entry in the region, collectively known as the ‘Cascade Gateway’. Last year, over 12 million people entered Washington State through these land ports. Since the implementation of the border restrictions, daily cross-border passenger volumes at the Cascade Gateway have remained at around 98% below typical volumes.

From studies conducted at the Cascade Gateway land crossings, it is estimated that over 7 million Canadian visits were made to Washington in 2019. Over 80% of those visits were for discretionary purposes such as shopping, vacation, and recreation. Since all of these trip purposes are considered ‘non-essential,’ and currently prohibited, this is by far the most visible impact on our state’s economy from the border restrictions. The nature and extent of these impacts are disproportionate across the state, and have the greatest impact on particular sectors and locations.

For example, Canadian shoppers have a significant impact on Whatcom County’s taxable retail sales revenues. Studies conducted by the Border Policy Research Institute estimate that retail sales in Whatcom County fell by $54-$65 million in Q1 and Q2 of 2020 solely due to the COVID-19 pandemic and associated border restrictions, representing a 5%-6% decrease in total retail sales compared to 2019. The small towns of Blaine and Sumas receive additional tax revenues from Canadians buying fuel and picking up mail order purchases. Preliminary estimates suggest that at least an additional $40 million is spent annually by Canadians on food, lodging, and travel in the County.

An uncertain future for cross-border travel
While the true impact of the border restrictions remains to be seen, it is clear that we are facing both short-term and long-term consequences. The former have direct impacts on retail spending, tourism, families, and property owners while the latter could lead to adjustments not just in consumer spending and tourism, but in foreign direct investment and real estate ownership. In addition, the business partnerships and collaborative relationships that have built up over time could weaken from a lack of face-to-face interaction. This can affect trade scenarios and other business negotiations that require trust and relationship building.

It is difficult to predict how the border restrictions and the COVID-19 pandemic will influence cross-border travel in years to come. Historically, the exchange rate between the U.S. Dollar (USD) and Canadian Dollar (CAD) has been a powerful determinant of Canadian crossing volume, though its power has varied throughout time (Figure 1). For example, the relationship between the exchange rate and Canadians crossing weakened in the years following 9/11. This highlights how external events and policy responses can influence cross-border flows. This correlation has again been disrupted with the COVID-19 health crisis.

It is possible that the border restrictions will remain in place long enough for Canadians to adjust their shopping habits and consumer behavior to re-orient away from cross-border travel. At the time of writing, the restrictions have been in place for five months, with no timeline or discussion by either government to ease them. With the upcoming federal U.S. election, high infection rates in the U.S., and strong Canadian public opinion in favor of maintaining the restrictions, it is unlikely that we will return to a fully functioning border prior to 2021. That said, anything can happen.

**Cross-Border Collaboration in Action**

Although the lack of engagement at the federal scale is discouraging, there is a great deal of commitment and perseverance by local and regional actors to continue to collaborate across the border and advance solutions to the current crisis. Organizations such as the Cascadia Innovation Corridor (CIC), which have supported robust cross-border networks across sectors continue to highlight the ways that
the region is stronger together. With the support of Microsoft and leadership of B.C. Premier John Horgan and Washington Governor Jay Inslee, the CIC has created cross-border linkages in the health sciences, higher education, and transportation, including a cross-border high-speed ground transportation study. The border restrictions, which created an urgent need to incorporate public health data into the border screening process, are bringing together the tech talent in Seattle and Vancouver with the border expertise at the Pacific Northwest Economic Region and Border Policy Research institute to develop solutions to the restrictions. Such solutions have the potential to establish global standards and be exported to other border regions around the world. Much work remains to be done.

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i U.S. Census Bureau
ii U.S. Bureau of Transportation Statistics