



The Canada-Florida Economic Relationship

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The Consulate General of Canada in Miami

By

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MARKET INTELLIGENCE & STRATEGIC CONSULTING

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THE CANADA-FLORIDA ECONOMIC RELATIONSHIP



Florida, and in particular South Florida, markets itself as the “Gateway to the Americas”. For most residents of the nation’s south-eastern tip, that term implies a southerly link across the Caribbean basin and beyond to Latin America. In reality, Florida’s leading international partner is Canada, which is likely to remain in this position for the foreseeable future.

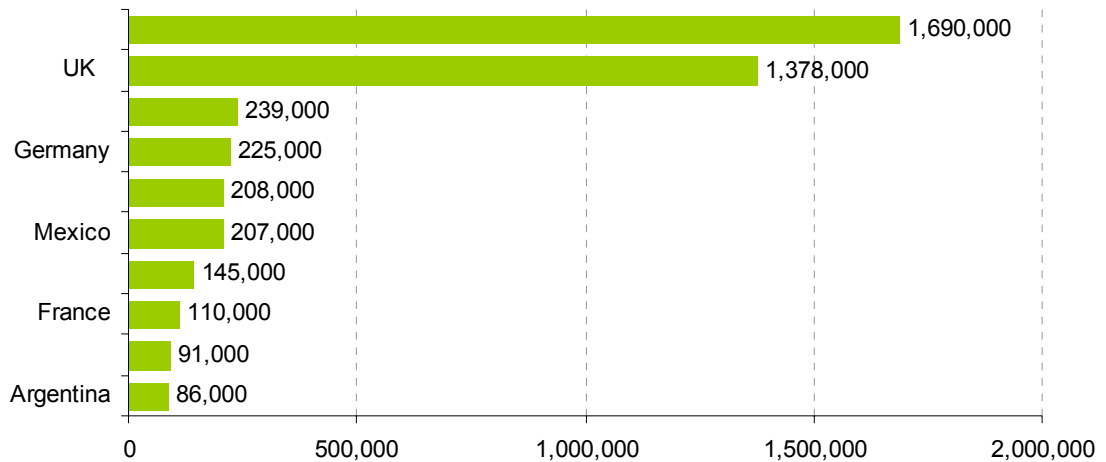
InfoAmericas, a leading regional market intelligence & consultancy firm, was asked to assess the economic importance of Canada as a partner to Florida, vis-à-vis its often higher-profile economic partners in Latin America, Europe and elsewhere. The results were surprising, except perhaps to those in both Florida and Canada who are quietly prospering from the booming relationship. Canada is Florida’s #1 source of in-bound tourism, the #1 source of foreign direct investment, and the #2 destination of Florida exports (after Brazil). Moreover, if indirect exports to Canada via other states were included, Canada would likely top Brazil in the trade ranking. The economic relationship with Canada sustains approximately 90,000 jobs in Florida, about 1.3% of all of Florida’s employment. This document examines each of the three main components of the Florida-Canada economic relationship: tourism, trade and investment.

TOURISM

Florida's warm winter climate is both alluring and accessible to Canadian tourists, who have made Florida their favorite winter vacation destination. In the first quarter of 2004, 862,300 Canadians visited Florida, an increase of nearly 11% from the previous year. This is welcome news for Florida's tourism industry, which has been battered by a sharp drop in visitors in the wake of the terrorist attacks of September 11, 2001. Canada is Florida's most important tourism market, accounting for about 30% of all international person-visits in 2003. Nearly 1.9 million Canadians are expected to visit Florida in 2004, more than the next three source countries combined (UK, Venezuela and Germany). If current trends continue, these visitors will spend 35 million visit-nights in Florida and will pump \$1.6 billion into the state economy. (Unless indicated otherwise, all dollar figures in this paper are expressed in US dollars).

FLORIDA'S TOP TEN INTERNATIONAL TOURISM MARKETS

Visitors 2003



Source: Visit Florida, based on ITA Data

Note to graph: The total of 1.690 million visitors from Canada shown in this graph is based on US ITA data which is the same source as the other countries shown. Statistics Canada estimates, which are considered more accurate, indicate 1.671 million visitors in 2003.

Canadians are also Florida's most loyal tourism customers. The travel slump that followed the terrorist attacks had a serious impact on the tourism industry throughout the United States, and while visitors from Canada declined, the drop was smaller than from other countries. Overseas visitors to the United States fell by 33.3% in the last quarter of 2001 compared to the same quarter in the previous year. Over the same period, Canadian visitors to the US fell by less than 20%, according to data published by the US International Trade Administration (ITA). Although comparable quarterly data are not available for Florida, in 2002, overseas visits were 26.7% below 2000 levels, while visits by Canadians were only 21.5% lower. This difference translates into an extra 107,000 Canadian visitors to Florida in 2002, significantly more than total visits from Italy. This relatively strong performance occurred in spite of a decline in the value of the Canadian dollar, which fell by about 5% between 2000 and 2002.

In 2003, Canadian overnight person-visits to Florida increased by 4.2% to reach 1.67 million, according to Statistics Canada data. Visitor traffic increased by another 10.8% in

the first quarter of 2004, compared with the same period in the previous year. Since close to half of all visitors travel during the first quarter, this suggests a substantial recovery for the year as a whole. If current trends continue, Canadian visitor volume will return to the 2000 level of around 2 million in 2005.

Three Types of Canadian Visitor

Canadian visitors to Florida fall into three principal groups:

- Short-term visitors who take regular one or two-week vacations in Florida, primarily in the winter
- Business visitors who generally stay less than one week.
- “Snowbirds”, who spend some or all of each winter in the south

This excludes in-transit air travelers who do not stay overnight, typically changing flights in Miami en route to Latin America or the Caribbean. There were 138,500 such visitors recorded in 2003, a number that excludes passengers who remain in transit lounges and do not pass through US customs and immigration. There are also a small number of Canadians who travel to Florida for “personal” reasons, such as weddings, funerals, medical treatments or to attend educational events.

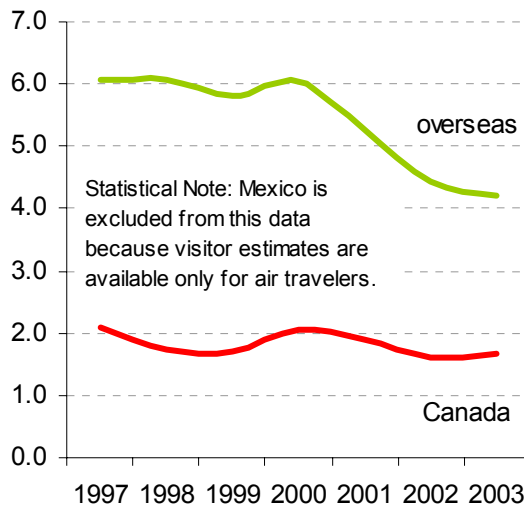
Short-Term Visitors

Short-term vacationers (30 nights or less) accounted for about 40% of all Canadian visit-nights in 2003. Another 5% of visit-nights are accounted for Canadians who travel to Florida to visit friends or relatives. Most of these trips are actually vacations, as evidenced by the fact that they are even more strongly seasonal than other short-term visits. The actual number of individual visitors is unknown, because many Canadians visit Florida two or more times per year, often returning to the same communities or resorts. Their spending patterns are much different from snowbirds, because they tend to stay in hotels and they purchase meals in restaurants. They are also more likely than snowbirds to spend money on leisure attractions, partly because they are more likely to travel with children, and partly because snowbirds tend to socialize with local friends.

Business Visitors

People who travel to Florida for business accounted for about 10% of the person-visits in 2003, but only 3% of visit-nights. The majority of business visitors (54%) came to attend conventions, trade shows and seminars, while about one-third came for business meetings and the rest came for “other work”. Business travelers differ in some important respects from other Canadian visitors. More than 70% of them stay less than one week, compared with 16.2% for vacationers. Business visitors who stayed three nights or less made up 38.7% of the total. While their stays are shorter, they spend more money each day they remain in Florida, an average of \$143.35 in 2003, compared with \$41.80 for

INTERNATIONAL VISITORS TO FLORIDA millions



Source: Statistics Canada and Visit Florida

vacation visitors. Only 6.3% of them traveled with children, while 37.4% traveled alone. In contrast, 26.5% of vacationers traveled with children and only 5.1% traveled alone. Business travel is less seasonal than vacation travel, but the seasons are still quite pronounced, largely because conventions and trade shows are a stronger attraction in Florida in the winter. Nonetheless, more than 15% of business trips occur during the summer, compared with 9% of vacation trips.

Snowbirds

Snowbirds are mainly retired or semi-retired people who can be away from their northern homes during significant portions of each winter. The Canadian Snowbird Association defines snowbirds as people who spend 31 nights or more in a southern destination. In 2003, Canadian Snowbirds undertook 219,500 person-visits to Florida, according to Statistics Canada estimates, with 58.7% of them spending 60 nights or more. More than 20% spent 91 nights or more. Together, snowbirds account for about 13.5% of all overnight visits. But they make up a much larger proportion of visitors, because many short-term and business visitors make two or more annual trips, whereas snowbirds tend to follow a single annual migration pattern. Taking this factor into account, it is estimated that snowbirds comprise up to 30% of Canadians who visit Florida. They also account for the majority of Canadian visit-nights spent in Florida. In 2003 they were responsible for 55.9% of the total of 31.7 million visit-nights, and 60.6% of 28.2 million vacation visit-nights. Three-quarters of these visit-nights were by visitors who stayed 60+ nights.

Snowbirds are less likely to stay in hotels or motels than other visitors, preferring their own second homes or rented homes, cottages and trailers, or arriving in their own RVs. A membership survey conducted by the Canadian Snowbird Association (CSA) revealed that 62% own homes in the United States. The vast majority of the CSAs 70,000 members winter in Florida. The spending patterns of these visitors are similar to resident Floridians, mainly routed through retail stores and local service providers. As a result, the money they inject into Florida is more broadly diffused than spending by other types of visitor.

Canadian snowbirds are especially important for Florida because they favor Florida over other destinations more strongly than do short-term travelers. According to ITA data, Florida was the destination of about 12% of all Canadian visits to the US in 2002, behind New York with 17%. In contrast, Florida claims 73% of the Canadian snowbird market, according to estimates by the Conference Board of Canada. As a result of the prevalence of these longer-term visitors, total visit-nights in Florida were five times New York's level. Other states that are popular with Canadian snowbirds (in order of preference) are Arizona, California, Texas and Hawaii. These states tend to draw a large proportion of their visitors from Western Canada.

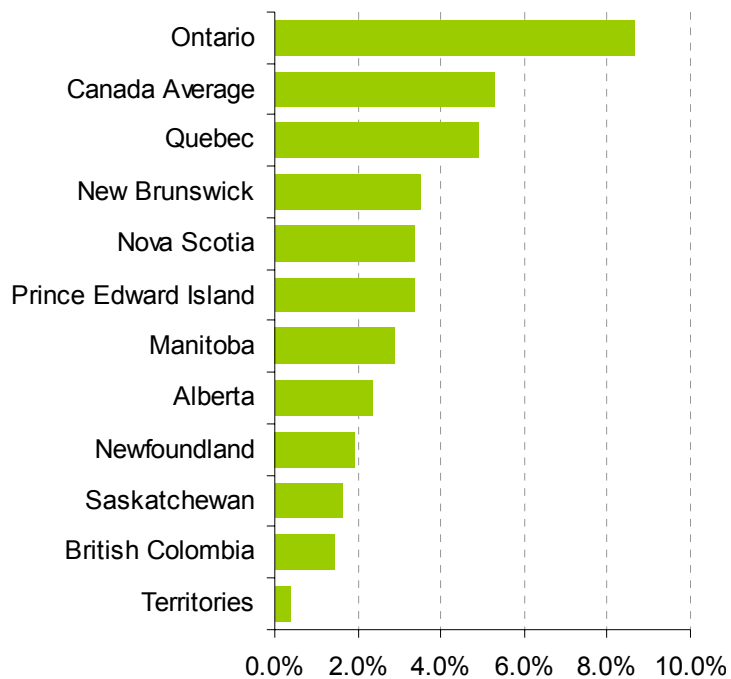
Statistical Note: The statistics cited in the tourism section of this whitepaper come from a variety of sources, but are ultimately derived almost entirely from two principal datasets: The *Survey of International Travelers*, published by the US Department of Commerce, International Trade Administration (ITA), and *Characteristics of International Travellers*, published by Statistics Canada. Although the statistical agencies of the two countries collaborate to improve data comparability, there are minor differences in their estimates because of varying statistical concepts and methods. Most data for Canada published by Florida's tourism promotion agencies comes from Statistics Canada, but ITA data is used for comparisons between Canada and Florida's other tourism markets.

Regional Tourism Markets in Canada

The bulk of Canadian visitors to Florida come from central Canada (Ontario and Quebec), which is home to 62% of all Canadians. Residents of Ontario have the highest propensity to visit Florida, with 1.1 million person-visits in 2003. Close to one out of every ten Ontarians visits Florida every year. On a national level the figure is more than one in twenty. Quebec and the Maritime Provinces (Nova Scotia, New Brunswick and Prince Edward Island) are more likely to send visitors to Florida than the western provinces, mainly because of geographical accessibility. Quebec and the Maritimes sent 452,000 person-visits to Florida in 2003 (25.6% of the total) with the remaining 11.8% coming from the western provinces, Newfoundland, and the three northern territories.

CANADIAN VISITORS TO FLORIDA

% of population 2003



Source: Statistics Canada data

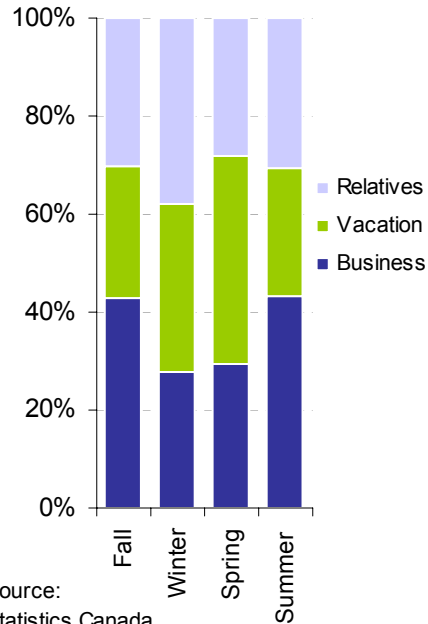


Seasonal Variations

For obvious reasons, Canadian tourism in Florida is strongly concentrated in the colder months. About 46% of all 2003 visits took place in winter (first quarter). Spring and fall are similar at 22.5% and 21.7% respectively, while less than 10% were in the summer (third quarter). This seasonal pattern is less pronounced for business visitors and slightly more pronounced for people who visit relatives and friends in Florida.

For snowbirds, weather is not the only consideration; family relationships also play an important role in the timing of arrivals and departures and the length of stay. Snowbirds tend to depart in two waves, the first in the fall, when colder weather begins. Some leave after Labor Day, while others delay their departure until after Thanksgiving, which in Canada is celebrated on the second Monday of October. The second wave leaves in early January, when holiday family events are over. The return migration depends partly on Canadian weather conditions, but many snowbirds return home in time to spend Easter with their families, regardless of the weather. An official of the Canadian Snowbird Association put it this way: "Six months without seeing the grandkids, they are packing. It's time to come home". She added that others return to prepare their Canadian tax returns in time for the April 30 deadline.

VISITS BY SEASON AND PURPOSE OF TRIP - 2003



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Principal Destinations

Canadian short-term visitors tend to visit the same parts of the state as other international visitors, with destinations depending on the purpose of the trip. The main difference is that Canadians are less likely than South American and European visitors to visit the Miami area, and more likely to prefer other parts of the state, including Orlando, Tampa, Daytona Beach, the Panhandle and the Keys. Canadians account for only 6.4% of visitors to Miami-Dade, compared with 17.5% for Brazilians and 8.9% for Germans, according to one report. This probably reflects the fact that Canadians are more likely to visit Florida for vacations and less likely to be interested in shopping, an important attraction for Miami visitors. Only 500 out of 1.7 million overnight visitors covered in Statistics Canada's 2003 survey stated that they visited Florida for the purpose of shopping. In addition, a high percentage of Canadian visitors arrive by automobile or RV, and are less tied to a major international air hub like Miami than overseas visitors. Perceived personal safety issues in Miami may also be an issue, since Canadians are accustomed to low levels of violent crime and many still regard Miami as a relatively dangerous place. Canadian visitors are less likely than those from overseas to use travel guides, such as the *Lonely Planet*, which points out that "Miami's revival as a popular destination was largely due to a highly visible anti-crime campaign that saw tourist-related crimes decrease by 80% between 1992 and 1998".

Almost 76% of Canadian visitors reported that the purpose of their trip was holiday/recreation. This includes those who visit second homes in the state as well as those who come to attend events and attractions or just relax. The most popular activities for visitors of this type are visiting beaches (38.5%) and theme parks (33.4%). These

attractions draw short-term Canadian visitors to all of Florida's top attractions in roughly the same proportions as other international visitors. Canadians are also frequent visitors to Florida's 143 State Parks.

Snowbirds are attracted to different destinations than short-term vacationers because they are more attracted by community characteristics than by tourist attractions like theme parks. For example, South-western Florida, in the area running roughly from Punta Gorda to Naples is popular with snowbirds because of its relatively low real estate prices, low crime rates, and generally slower pace of life than the tourism-oriented east coast. Canadians are also attracted by the numerous and inexpensive golfing opportunities in this region -- especially the many snowbirds who buy homes in golf communities.

Another popular destination is the Panhandle region, especially around Panama City, where Canadians are comfortable in the relatively cool winter temperatures. There are also numerous snowbird enclaves along the east coast, including several that attract primarily French-speaking Canadians. For example, Hollywood Beach, near Ft. Lauderdale, is known as a destination for French Canadians, including snowbirds, short-term visitors and year-round residents, and French is spoken in many local establishments.

These destinations include both permanent homes and RV parks. Estimates of the number of Canadian families that own property in Florida range upwards from less than 100,000 to as high as 500,000 if time-shares are included. In addition, a large number of Canadian snowbirds stay in trailer parks or RV parks during the winter, in settings where they do not own the land. According to TravelASSIST Magazine, more than 850,000 RV owners visit Florida each year. An official of the Florida Association of RV Parks and Campgrounds estimated that about 5% of this business comes from Canada. This is more than double the Canadian share of all visitors to the state, and it suggests that there are about 42,500 Canadian RV visitors to Florida annually.

Wherever they stay, snowbirds tend to socialize with other people in the same situation, whether they are other Canadians or American snowbirds. Many end up going to the same communities as their friends from home. Others visit friends from home in other parts of Florida, and there many snowbird groups hold regular annual events. For example, snowbirds from Prince Edward Island hold an annual event (in St. Petersburg in March 2004) that attracts several hundred PEI residents who winter in different parts of Florida.

Modes of Transportation

The majority of Canadian visitors to Florida travel by air, but the proportion has fallen since the terrorist attacks of September 2001. Air travel accounted for 68.4% of Canadian person-visits to Florida in 2000, but fell to 63.1% in 2001 and to 57.7% in 2002. A similar pattern has been observed for visitors from other US states. The attacks had a major impact on air travel, while reducing motor vehicle arrivals only slightly. Air arrivals from Canada fell by 21.5% in 2002, compared with the previous year, while auto arrivals fell by only 1.8%. This is partly explained by the fact that most snowbirds tend to regard their winter trips south as a necessity, and they generally travel by automobile. The popularity of air travel recovered somewhat in 2003 to 58.7% of person-trips. The shift away from air travel has exacerbated the negative effects of the tourism slump on Florida's economy because air travelers spend significantly more per day than auto travelers. Conversely, as Florida-bound tourism from Canada rebounds in 2004, air travel will be the fastest growing segment as short-term visitors re-discover the state. (These statistics exclude other modes of travel such as bus and train, as well as visitors whose mode of travel is not recorded in the statistics.)

Visit Duration

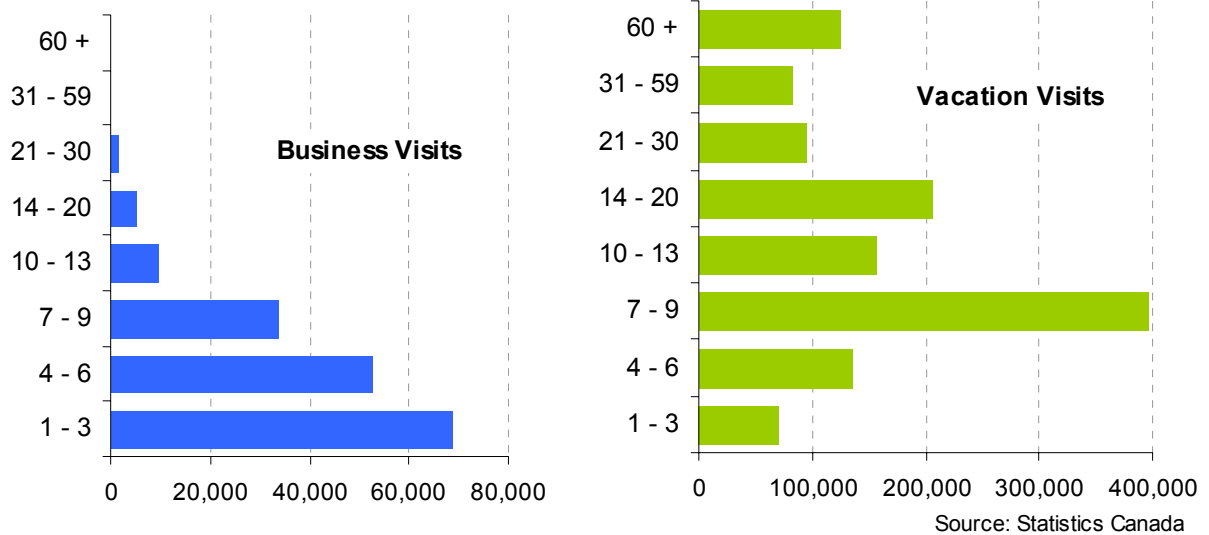
The average duration of Canadian visits to Florida in 2003 was 17.5 nights. This was a decline from 20.5 nights in 2002 but still much longer than overseas visitors, who averaged only 10.8 nights in 2002. Trips of seven-to-nine days were the most common, with more than 500,000 person-visits, accounting for 28% of the total. Trip duration, however, varies greatly depending on the purpose of the trip.

In 2003, 7.7% of all 1.8 million Canadian visitors to Florida did not stay overnight. These are mainly people who enter the US to shop while changing flights in Miami, Orlando or Ft. Lauderdale en route to Latin America or the Caribbean. Unless otherwise indicated, these visitors are excluded from the statistics presented in this section, which are based only on overnight visitors.

Of the 1.67 million visitors who stayed at least one night, 75.5% stayed one week or more, while 34% stayed two weeks or more and 20% stayed 3 weeks or more. Those who visited for business purposes had the shortest stays, with 71% reporting trips of less than one week, compared with only 16% for vacationers. At the other end of the scale, 16.4% of vacation visitors stayed more than one month, compared with 0.1% for business visitors.

DURATION OF VISITS

Person-Visits by Nights Stayed 2003



The duration of stay for Canadian snowbirds in Florida is influenced by regulatory factors in both countries. The US Internal Revenue Service requires tax declarations (under the “Substantial Presence Test”) from Canadians who stay longer than allowed by a moving-average formula that allows 180 days in one year, but only about 120 days per year for snowbirds who visit every year. Individuals who have no US income can stay longer without paying US income taxes, but there is considerable reporting paperwork involved, a burden that serves as a disincentive to longer stays.

The Canadian health care system also restricts the time that residents can spend outside the country. Public health coverage lapses entirely after six months in most provinces, and individuals who stay out longer must typically wait three months to re-qualify. All provinces provide only very basic out-of-country benefits that cover only a small proportion of the cost of US healthcare. For this reason most visitors buy private insurance. Many short-term visitors are automatically covered by standard supplementary insurance policies, but snowbirds generally buy special insurance. In 2002 the average

cost of 91+ day health coverage was about \$520 per person for those aged 65 and above, according to estimates by the Conference Board of Canada.

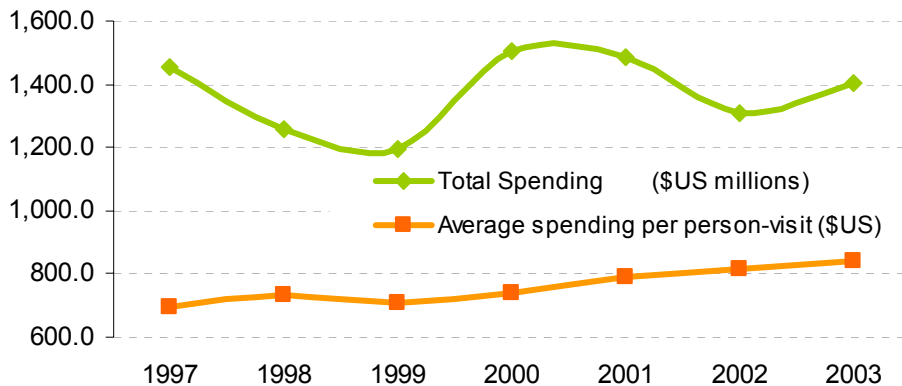
Visitor Spending

Canadian visitors to Florida spent a total of \$1.4 billion in 2003, an average of \$840 per visitor. According to Conference Board of Canada estimates, Florida claims a 25% share of all spending by Canadian visitors to the US. The next closest competitor is California, with about 10%.

As with other tourism indicators, spending patterns vary widely for different types of visitor. Average reported spending per-person per-night was \$44.25 for all visitors. It was lowest for visitors who stayed with friends or relatives (\$31.98), and highest by business visitors (\$143.35). The average spending per-night statistics are weighted downwards by snowbirds, who account for 60% of vacation visit-nights. They generate a large share of tourism revenue, but spend relatively less than short-term visitors on a daily basis, because they do not generally stay in hotels and are less likely to visit theme parks and other relatively expensive attractions.

Average spending per person-visit expressed in US dollars has increased gradually since 1999, growing by 2.8% in 2003. Spending in Canadian dollars, however, declined by 8.5% in 2003, as visitors took advantage of the stronger Canadian dollar, which rose by 12.4% relative to the US dollar during the year. Canadian travelers are returning to Florida following the slump of 2001 and 2002, but they have been initially cautious and have generally chosen to lower their costs in domestic currency rather than spending more in Florida.

CANADIAN VISITOR SPENDING IN FLORIDA



Source: Statistics Canada

Snowbirds who own homes in Florida are unlikely to report the imputed value of their use of their own property in spending survey responses, and as a result the true economic impact is likely to be understated in the statistics. It is estimated that more than 60% of Canadian snowbirds who spend every winter in Florida own property there. Others rent homes or cottages, while many park their RVs in rented space. There is considerable diversity in their spending, and there are no official estimates available. According to examples cited on snowbird websites and discussion groups, the possibilities range from a \$25,000 trailer parked in rented space to permanent homes worth \$400,000 or more. It is common for new snowbirds to follow friends to a particular area, where they can rent homes directly from their owners at reasonable prices, before deciding whether to buy.

Short-term visitors are at the other end of the spending spectrum, staying in hotels and sometimes taking an extra room for the children. The most common party composition is

two adults, accounting for about 43% of all visitors and nearly 46% of vacation visitors in 2003. About one-quarter of parties consisted of two or more adults with children. This type of visitor spends considerably more than snowbirds on a daily basis.

Economic Benefits to Florida

The tourism industry is the backbone of the Florida economy. The state receives about 70 million visitors per year, more than four times the resident population. These visitors generate some \$50 billion annually in taxable sales, and pay more than \$3 billion in state sales taxes. This ongoing source of revenue is often cited as the explanation for Florida's status as one of the few US states without a state personal income tax. Visitors also pay Local Option Tourist Taxes and other "bed taxes" in many counties, and this contributes to Florida's low local tax burden, which ranks 40th in the nation.

Direct employment in Florida's tourism industry totaled 889,000 people in 2002, according to Visit Florida, but this excludes indirect employment. A comprehensive study of the total benefits of tourism was completed in 2000 by TaxWatch, in collaboration with the Florida State University's Center for Economic Forecasting. This study, which was updated in 2003, used two different econometric models of the Florida Economy to take account of multiplier effects and to estimate the total impact of tourism on the economy. The study concluded that the total employment generated by Florida's tourism industry was 1.2 million in 2003, about 20% of total state non-agricultural employment.

**DIRECT TRAVEL-RELATED EMPLOYMENT
IN FLORIDA 2002**

Food Services and Drinking Places	487,000
Accommodations	151,400
Amusement, Gambling and Recreation	129,200
Amusement Parks and Arcades	54,900
Air Transportation	38,000
Travel Arrangement and Reservations	28,500
Total Travel-Related Employment	889,000
Total Non-Agricultural Employment	7,204,700
Share of Travel-Related Employment	12.3%

Source: Visit Florida

The 2003 TaxWatch report further concluded that the job creation generated by the tourism sector is increasingly focused in Florida's high-tech sector. Using the IMPLAN input-output model, TaxWatch analysts predicted that tourist expenditures in Florida will create nearly 30,000 high-tech related jobs in 2010, through a combination of direct and indirect impacts. While the bulk of these new jobs will be found in computer and data processing, medical and health services, and communications, there are also significant projected impacts on employment in research and development and architectural engineering.

The impact of Canadian visitors on the Florida economy can be assumed to be similar to the overall impacts of all visitors on a dollar-for-dollar basis. The main difference would be the prevalence of snowbird visitors, whose spending is more diversified throughout the state than spending by tourist visitors, but the same is true of American snowbirds. There are no statistics available to demonstrate this factor, in any event.

In 2002 (the latest year for which complete data are available), Canadians made up 2.1% of all visitors to Florida, and 26.6% of international visitors, according to Visit Florida. In the same year, Canadian spending was 2.6% of total tourism revenue, and assuming that the job-creation impacts are proportionate, Canadian visitors supported just under 23,000 jobs. Using the employment multiplier of 1.46 from the TaxWatch study, the total employment impact of Canadian visitors to Florida is estimated at about 31,000 for 2002.

ECONOMIC IMPACT OF CANADIAN TOURISM IN FLORIDA 2002

Direct Employment	23,000
Total Employment	31,000
Direct Taxes	\$77 million
Total Tax impact	\$274 million

In addition, on a dollar-for-dollar basis, Canadian visitors can be assumed to have contributed 2.6% of tourism-related tax revenues. Visit Florida reports direct sales tax revenues of about \$3 billion annually, while the TaxWatch study estimated that the total impact on State General Tax Revenues (including income taxes on personal and corporate tourism earnings) would be \$10.7 billion using its most conservative model. Canadian share of these revenues is estimated at \$77 million and \$274 million respectively.

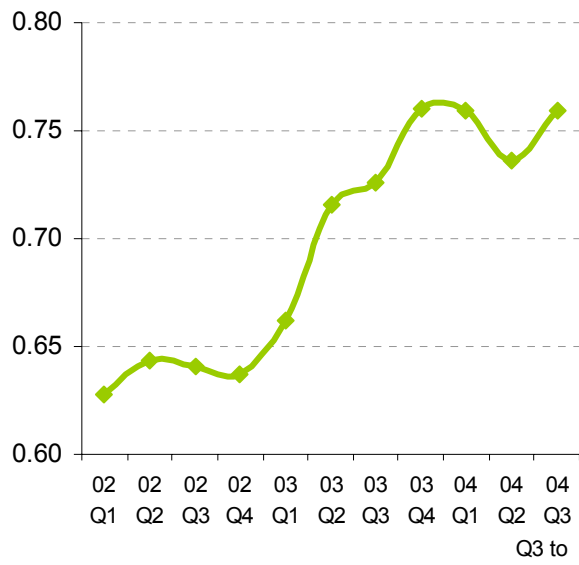
Outlook

Several indicators point to a continuation of Canada’s position as Florida’s leading tourism market. The value of the Canadian dollar relative to the greenback has increased significantly over the past several quarters. The expected continuation of the dollar’s strength will enable more Canadians to travel, especially to their favorite winter destination.

The Canadian dollar strengthened by 12.4% during 2003, compared with the previous year. This appreciation, however, came too late to have full effect on travel plans for the winter of 2003. During the fall of 2002, when Canadians were making these plans, the dollar averaged US\$ 0.637, down slightly from earlier in the year, and at year-end it was down to \$0.634. The dollar began to rise in January 2003, and it was up by 5.5% in the first quarter over the same quarter in 2002. This was not sufficient to have a major impact on visitor traffic in the crucial first quarter, which accounted for nearly half the year’s vacation travel. It was not until the second quarter that the dollar broke 70 cents US and it was October before the psychological barrier of 75 cents was surpassed.

As a result, the 4.2% increase in Canadian visits to Florida seen in 2003, while significant, was not accompanied by a commensurate increase in spending, as travelers took advantage of the unexpected currency windfall to reduce their spending per visit by 8.5% in Canadian dollar terms. The full effect of the stronger dollar will be felt in 2004. The dollar averaged US\$ 0.76 during the fall of 2003 when most Canadians were making their plans for the winter and spring of 2004. This was a gain of 19.3% over the previous fall. The 10.8% increase in visitor traffic seen in the first quarter of 2004 is likely to be

VALUE OF THE CANADIAN DOLLAR



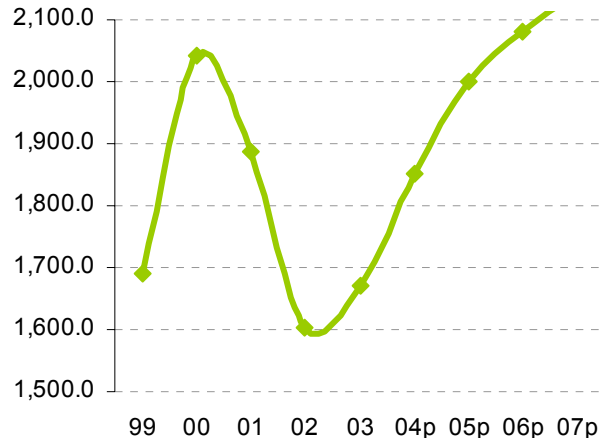
Source: OANDA FXhistory Q3 to AUG 31

sustained for the rest of the year. In fact the recovery could intensify as the full impact of the currency increase takes effect.

Mainly as a result of the stronger dollar, Canadian person-visits to Florida increased by 10.8% in the first quarter of 2004, compared to the same period in the previous year. Since the dollar has remained relatively stable since then, it is reasonable to project this same rate of increase for the full year. This is consistent with ITA data, which indicates that overall Canadian visits to the US rose by more than 12% in the first half of the year.

This outcome would increase overnight person-visits to 1.85 million in 2004, about the same level as 2001. This implies that total visit-nights would also approach the 2001 level of 37 million. Spending should also rebound, and if it returns to 2001 levels along with visitor traffic, total Canadian spending will reach nearly US\$ 1.6 billion in 2004. Forecasts beyond 2004 are speculative. The projections shown in the accompanying graph anticipate an 8% increase in person-visits in 2005, based on the expected continuing strength of the Canadian dollar through the critical fourth-quarter 2004 planning period. For the next two years, the projections are based on the ITA's forecast of increases in all Canadian visits to the US of 4% in 2006, and 3% in 2007. If Florida achieves the same gains, Canadian visitors to Florida will exceed 2.1 million in 2007.

PROJECTED CANADIAN VISITS TO FLORIDA
thousands



Sources: 1999-2003: VISIT Florida 2002 Profile of Domestic Visitors to Florida, InfoAmericas analysis

Expected changes in travel patterns reinforce these relatively positive projections. One prediction is that in the coming years more Canadians will travel with their children. Canadians are much more likely than overseas visitors to bring their children with them when they visit Florida. In 2002, 29% of Canadian traveling parties included children, compared with only 14% for overseas visitors, according to data published by Visit Florida. The proportion of Canadians traveling without children has remained relatively stable at about 71% in recent years, while the proportion of two-person parties has fluctuated only slightly since 1998, with a peak of 48.6% in 1999 and a low of 45.5% in 2000. Nonetheless, some observers believe that the extra spending power from the stronger dollar will be partly reflected in more travel by children, especially now that air travel is becoming cheaper. If this increase is realized, it will have the effect of increasing average party size as well as average spending per trip.

Snowbirds are also expected to become an increasingly important component of Canadian travel to Florida in the coming years, largely because of demographic factors. The Conference Board of Canada, which studies the snowbird market for health insurers, defines snowbirds as persons aged 55 or over who spend 31 or more consecutive nights outside Canada. In its 2003 report *The Canadian Snowbird Market*, (based on 2002 data) the Board reported 499,800 snowbird trips under this definition and it estimates that about 73% of the market (based on visit-nights) is captured by Florida. It noted a sharp rise in the number of nights spend outside Canada by younger snowbirds aged 55 to 64. The number of trips accounted for by this group was estimated at 222,100 for 2002, up by 42 percent from 2001. Older snowbirds stay longer, however, with 33.5% staying 90 days or longer, compared with 21.1% for the 55 to 64 age group.

The Conference Board projects long term growth in the size of this market, based on the fact that the 55-to-64 cohort is growing rapidly, and will increase by 18% between 2002 and 2006. The Board expects that snowbird trips will increase faster than the age 55-to-64 population, partly because of the rise of the Canadian dollar. For the US as a whole, the Board has projected a 9% increase in snowbird trips between 2003 and 2006. Other observers point to a continued high incidence of early retirement as another positive factor. Statistics Canada reported in 2001 that the proportion of workers who retired before age 60 had fallen to about 40% in 2000 from a peak of 46% in 1997, but that it remained well above the 30% that prevailed in the early 1990s.

MERCHANDISE TRADE

Canada is virtually tied with Brazil as the most important market for Florida exports. In 2003, Canada purchased \$2.37 billion worth of Florida products, only slightly behind Brazil with \$2.53 billion, according to US government data. (Statistics Canada's estimate of Canadian imports from Florida is lower at \$2.053 billion). Trade with Canada is actually even more important than these figures suggest, because goods bound to Canada from Florida and vice-versa are often transformed or repackaged in another state en route and are not recorded as Canada-Florida trade. Canada supplied \$2.8 billion worth of goods to Florida in 2003, making the state's proportionate trade balance with Canada about the same as the nation as a whole. Trade between Canada and Florida is expected to grow over the next several years, on the strength of continued economic growth, as well as increasing linkages between high tech industries in the two economies. Florida's expanding role as a gateway to Latin America and the Caribbean will also play a part.

Between 1999 and 2003, Florida's merchandise shipments to Canada increased by 9.2%, according to US government export statistics, while Florida's total exports to all countries grew by only 3.2%. Canada's import statistics, which are based on different underlying data, show an overall increase of 4% between 1999 and 2003, but growth accelerated in the first half of 2004, with a 6.7% increase over the same period in the previous year.

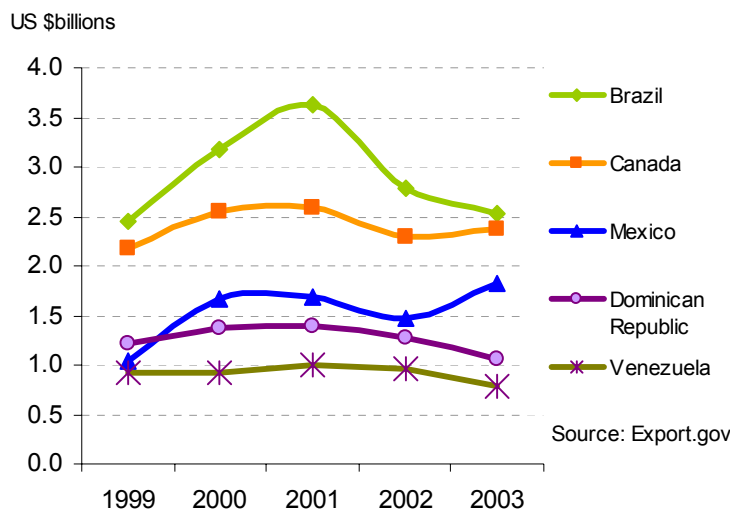
Canada is the number one export market for 37 of the US states. Conversely, 85% of Canadian exports are destined to the US, which makes the US-Canada bi-lateral trade partnership by far the largest in the world. Canada buys more American-made products each year than either the European Union or Latin America.

FLORIDA'S TOP TEN EXPORT MARKETS 2003

	US \$millions
Total All Countries	24,953
Brazil	2,537
Canada	2,369
Mexico	1,814
Dominican Republic	1,059
Colombia	1,018
Venezuela	776
United Kingdom	762
Japan	746
China	649
Costa Rica	639

Source: Exports.gov

FLORIDA'S TOP FIVE EXPORT MARKETS



Statistical note: US export data and Canadian import data yield slightly different estimates of the value of Canada's imports from Florida. Exports from Florida to Canada in 2003, for example, are estimated at \$2.369 billion by the US government agency Exports.gov, and at \$2.053 billion by Statistics Canada. Since import data is usually more accurate than export data, the US government uses Canadian import statistics as the basis for its own export data for the country as a whole. State export data (but not import data) is estimated separately by the Massachusetts Institute for Social and Economic Research (MISER). In this publication, US export data are used where comparisons are made with other countries, and Canadian import data is used for all other purposes.

Trade between Florida and Canada is highly diversified with no single sector representing more than 25% of two-way trade, and no one product representing more than 5% of one-way trade. This diversity helps to spread the economic benefits of trade with Canada throughout the state generating business for both the traditional agricultural sector and for high technology industries. For example, in 2003 Florida's top-ranked export to Canada at the HS-6 level was \$109 million worth of fresh orange juice (combining HS 200912 and 200919 for sugar content values under and over 20 Brix). The second-ranked product was \$73 million worth of aeronautical and space instrumentation (HS901420). Other top products, like phosphate-based fertilizers from central Florida's "Bone Valley" and aluminum alloys smelted near Tampa, St. Augustine and other areas are similarly diversified.

Likewise, Canadian exports to Florida come from a diverse array of industries and production centers. While natural-resource based products are important exports, more than half of the Canadian goods sent to Florida are high value-added products such as transportation equipment, construction equipment, telecommunications technology, chemicals, industrial machinery and aerospace technology.

According to data published by the US Bureau of Transportation Statistics (BTS), in 2002, 90% of trade between Canada and Florida was carried by surface modes of transportation and did not pass through a customs port of entry in Florida. For this reason, some published trade statistics that are based only on overseas traffic through international ports seriously underestimate the importance of Canada-Florida trade. Truck is by far the dominant mode, accounting for 75.2% of Florida's imports from Canada in 2002 (the most recent year available). This excludes transshipments destined to Florida that did not originate in Canada. The proportion is lower for products with a high value-to-weight ratio, or where rapid delivery is an issue and for bulk commodities. For example, electronics products are often shipped by air.

BTS data by state and commodity are readily available only at the 2-digit HS commodity level. For chapter 85, electrical machinery and equipment (which includes computers), 67.8% of Florida's 2002 imports from Canada arrived by surface transportation. In 2002, there were only four HS-2 chapters where surface transportation accounted for less than half of Florida's imports from Canada: pearls, precious stones and precious metals (7.9%), mineral fuels (8.5%), tools, implements and cutlery (32.4%), and paper, pulp and paperboard (48.3%).

Driving Forces

Trade between Canada and Florida is driven by a number of forces. The most important long-run influence has been freer trade under the Canada-US FTA and NAFTA. These agreements have led to increasing integration of the Canadian and US economies. This integration has driven increases in inter-industry trade, as companies become more specialized and rely more heavily on other firms in the same industry as part of their supply-distribution networks. As a result, two-way business-to-business trade is more influenced by overall economic growth than by short-run considerations such as exchange rate fluctuations, which have greater influence on trade in consumer goods.

Free Trade

The Canada-US FTA phased out tariffs on the bulk of merchandise trade between Canada and the US, although several sectors continued to receive protection. The NAFTA extended the reductions in trade barriers to additional sectors and there are now no tariffs in most industries. As a result of lower trade barriers, companies on both sides of the border were faced with new competition, forcing less productive firms to rationalize their operations. Many small-to-mid-sized enterprises did so by taking advantage of the

expanded market to capture economies of scale. Traditionally strong and specialized exporters, like orange juice in Florida and paper in Canada, have also become even stronger as they accessed new markets and achieved new economies of scale, even though in relative terms they have not expanded their exports as much as newly specialized manufacturers within sector supply chains.

Impact on Canada's Exports

The impact of these forces on Canadian exports to Florida was to induce many exporters to pursue more specialized markets and to extend production runs, boosting their share of overall exports relative to those industries that were already large and specialized before the advent of the NAFTA. Thus, greater specialization at the level of the firm resulted in a more even distribution of export market share across industries. These growing industries looked south for new markets.

Between 1992 and 2003, the share of total exports to Florida captured by the top 10 exporting industries fell from 52% to 39%, and the top 25 fell from 69% to 61%. The collective share of all of the industries of the 2003 top 25 remained almost exactly the same over this period but the smaller industries gained market share at the expense of larger ones. The top four industries in 1992 were sawmills, paper mills, heavy-duty truck manufacturing, and non-metallic mining, all relatively large and specialized industries. They saw their collective market share drop from 39% in 1992 to 17% in 2003. In spite of losing more than half their relative market share, paper mills and sawmills remained the top exporting industries to Florida in 2003.

At the other end of the scale, there were six industries on the 1992 top-25 list with less than 1% of the Florida market, but none on the 2003 list. From another perspective, while the average market share of the top 25 industries fell only slightly from 2.8 in 1992 to 2.4% in 2003, the gap between the largest and the smallest fell from 15.9 percentage points to 5.4.

Impact on Florida's Exports

The impact of freer trade on Florida's exports was smaller than it was in Canada. The top 10 exporting industries in Florida maintained their share of the Canadian market at 46% between 1992 and 2003, while the top 25 fell slightly from 70% to 67%. None of the top five exporting industries was new to the list. The navigational, measuring, medical and control instrument industry rose from 4% of total exports to Canada to 8%, and fruit and vegetable canning, pickling and drying gained 4.1 points to reach 6.3%. The biggest loser was vegetable and melon farming, which fell from 14% to 7.3% of total exports to Canada. Orange juice products are not easily compared over this period, because of substantial changes in the NAICS classifications for those products. Orange juice is now classified by sugar content (Brix value).

The average market share of the top 25 industries fell slightly from 2.8% to 2.7% over this period while the gap between the largest and the smallest fell from 12.6 percentage points to 7.1.

Economic Growth

Increased specialization generally leads to tighter links between companies that are part of the same supply-distribution chain. Canada-Florida trade is characterized by many partnerships and joint ventures, particularly in the high tech industries. This means that overall business conditions, and in particular the rate of real growth in the two economies, is a key force behind fluctuations in the volume of trade.

There was a substantial economic slump in both countries beginning in 2000 and deepening in 2001. This led to a 9% decrease in US imports from Canada and a 10% drop in Canadian imports from the US between 2000 and 2002. Because of the

prevalence of business-to-business trade, these developments had a lagged effect on two-way Canada-Florida trade, as the downturn worked its way through the supply chain. Florida's imports from Canada fell by 5.5% in 2002, while exports to Canada dropped by 14.7%. One reason that imports did not suffer as severe a decline as exports is that Florida's Gross State Product outperformed the US GDP by a substantial margin in 2001, with a 1.7% gain compared with 0.4% for the nation as a whole. This is not shown on the accompanying graph because GSP data is not yet available for 2002 and 2003. Another factor was the Canadian dollar, which fell relative to the US dollar by about 5.5% in 2001 and 2002.

Economic Integration

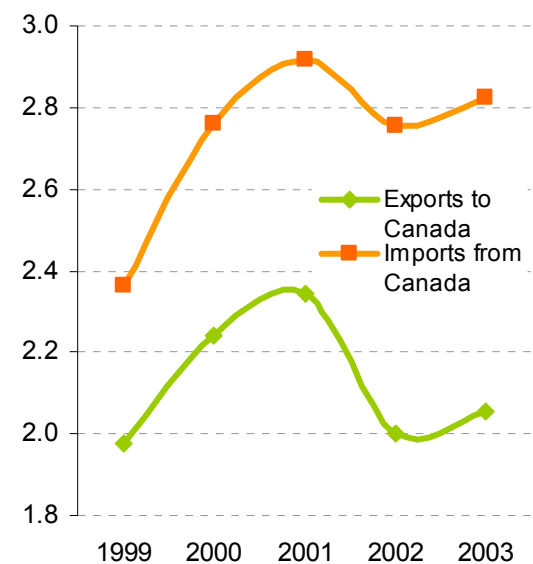
Economic integration driven partly by freer trade has led to a significant increase in inter-industry trade. Five of Florida's top 10 industries (at the NAICS 3-digit level) in terms of exports to Canada are also among the top 10 importers from Canada. Together, machinery, chemicals, transportation equipment, food manufacturing and computer and electronic products are responsible for 44% of Florida's imports from Canada (up from 39% in 1999) and 61% of Florida's exports to Canada (up from 60% in 1999). This gradual increase in integration is fundamental to future expansion of two-way trade between Canada and Florida.

Substantial intra-industry trade is also evident at the 5-digit NAICS industry classification level. Nine of Florida's top 25 exporting industries also among Canada's top 25 exporters. This leaves 41 unique industries that are among both countries' top traders, accounting for nearly 70% of total two-way trade. These industries can be divided nearly equally into three groups based on each industry's ratio of Floridian exports to Canadian exports. Because there are substantial variations within industries from year-to-year, the relative specialization of industries is most clearly illustrated using a five-year average from 1999 to 2003. The accompanying tables divide all 41 leading industries into three categories:

- Thirteen relatively specialized Canadian industries where Florida exports are less than 30% of Canadian exports.
- Thirteen relatively integrated industries with substantial two-way intra-regional trade, with Florida/Canada export ratios of between 30% and 300%
- Fourteen relatively specialized Floridian industries with Florida/Canada export ratios of more than 300%.

TWO WAY TRADE BETWEEN FLORIDA AND CANADA

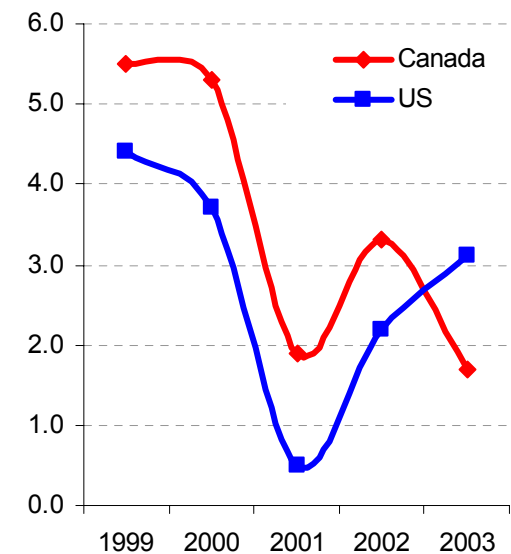
US\$ millions



Source: Statistics Canada

REAL GDP GROWTH

% change from previous year



Source: Statistics Canada, US Bureau of Economic Analysis

For the most part, the specialized industries reflect significant competitive advantages or unique characteristics of each market. For example, most of Canada's specialized industries are based on natural resources, including wood, minerals, petroleum, land (beef) and ocean resources. (Trade in seafood is disproportionate because of Canada's exports of crab and lobster; trade in fish is nearly balanced.) As a group, these Canadian specialized exporters account for 4% of Florida's exports to Canada and 55% of Canada's exports to Florida.

Specialized Florida industries are based either on natural resources or technological specialization. Half of the 14 industries are related to food production or otherwise to the agricultural sector and three are specialized electronics-based industries. Motor Vehicle parts is a special case because within the integrated North American automotive industry, Canada is a net importer of parts and a net exporter of vehicles, most of which are exported through intra-corporate movements between Ontario and Quebec and the adjacent states. As a group, these Floridian specialized exporters account for 42% of Florida's exports and 5% of Canada's exports.

In spite of the relative specialization involved in these 27 industries, there are only a handful that to not engaged in significant two-way trade, some of which is substantial. In the navigational, measuring, medical and control instruments manufacturing industry, for example, Florida imported an average of \$37 million worth of goods from Canada annually even though the industry exports four times that much to Canada.

The 14 "integrated" industries have export/import ratios of between 30 and 300%, and as a group trade is nearly balanced. With one exception, these are relatively high-tech industries, which account for 30% of Florida's exports and 24% of Canada's exports. These are the industries where there is most potential for further expansion of two-way trade and where mutual interest is being expressed between Canadian and Floridian business, including participation in trade missions. Considerable specialization by individual firms underlies the relatively high levels of intra-industry trade in these industries. Overall, the specialized industries in the two economies account for 61.5% of two-way trade while the integrated industries account for 38.5%.

FLORIDA-CANADA TWO-WAY TRADE

Specialized Canadian Exporters - Average Trade Flows 1999 To 2003 - \$000s

	Florida Exports	Canada Exports	Florida/Canada
Wood Kitchen Cabinet and Counter Top Manufacturing	95	74,061	0.1%
Other Non-Metallic Mineral Mining and Quarrying	210	28,764	0.7%
Sawmills and Wood Preservation	2,918	201,919	1.4%
Veneer, Plywood and Engineered Wood Products Manufacturing	1,245	36,752	3.4%
Paper Mills	6,163	177,911	3.5%
Petroleum Refineries	1,731	44,331	3.9%
Heavy-Duty Truck Manufacturing	4,406	84,102	5.2%
Household and Institutional Furniture Manufacturing	4,350	80,111	5.4%
Office Furniture (including Fixtures) Manufacturing	5,569	80,274	6.9%
Distilleries	2,952	25,007	11.8%
Animal Slaughtering and Processing	11,844	94,939	12.5%
Seafood Product Preparation and Packaging	11,524	50,534	22.8%
Ornamental and Architectural Metal Products Manufacturing	7,034	27,038	26.0%
Total	60,041	1,005,743	6.0%
Share of all Florida-Canada Trade	4%	55%	

Primary data from Statistics Canada

FLORIDA-CANADA TWO-WAY TRADE

Integrated Industries - Average Trade Flows 1999 TO 2003 - \$000S

	Florida Exports	Canada Exports	Florida/Canada
Telephone Apparatus Manufacturing	27,050	84,080	32%
Construction Machinery Manufacturing	7,822	24,063	33%
Pharmaceutical and Medicine Manufacturing	26,052	77,532	34%
Other Plastic Product Manufacturing	18,479	44,240	42%
Commercial and Service Industry Machinery Manufacturing	25,794	47,802	54%
Electrical Equipment Manufacturing	25,010	42,060	59%
Motor Vehicle Body and Trailer Manufacturing	18,359	23,496	78%
Ship and Boat Building	36,388	38,914	94%
Engine, Turbine and Power Transmission Equipment Manufacturing	103,568	87,366	119%
Computer and Peripheral Equipment Manufacturing	66,447	48,602	137%
Aerospace Product and Parts Manufacturing	126,519	90,263	140%
Radio and Television Broadcasting and Wireless Communications Equipment Manufacturing	88,224	46,143	191%
Manufacturing and Reproducing Magnetic and Optical Media	26,270	13,423	196%
Toilet Preparation Manufacturing	19,863	7,250	274%
Total	615,845	675,233	91%
Share of all Florida-Canada Trade	30%	24%	

Source: Primary data from Statistics Canada

FLORIDA-CANADA TWO-WAY TRADE

Specialized Florida Exporters - Average Trade Flows 1999 To 2003 - \$000s

	Florida Exports	Canada/ Exports	Florida/ Canada
Nursery and Floriculture Production	35,578	10,949	325%
Frozen Food Manufacturing	22,799	6,528	349%
Semiconductor and Other Electronic Component Manufacturing	82,655	22,534	367%
Navigational, Measuring, Medical and Control Instruments Manufacturing	151,098	36,901	409%
Audio and Video Equipment Manufacturing	13,549	2,461	551%
Coffee and Tea Manufacturing	14,125	2,293	616%
Other Motor Vehicle Parts Manufacturing	39,014	6,222	627%
Vegetable and Melon Farming	146,213	21,435	682%
Alumina and Aluminum Production and Processing	124,084	17,802	697%
Fruit and Vegetable Canning, Pickling and Drying	60,188	7,529	799%
Rubber and Plastic Hose and Belting Manufacturing	23,816	2,045	1,164%
Medical Equipment and Supplies Manufacturing	56,667	4,471	1,267%
Fertilizer Manufacturing	65,379	1,401	4,666%
Pesticide and Other Agricultural Chemical Manufacturing	21,727	153	14,187%
Total	856,892	142,725	600%
Share of all Florida-Canada Trade	42%	5%	

Primary data from Statistics Canada

Statistical Note: International trade statistics are available for most of the world classified by commodities, according to the Harmonized System (HS). Within North America, trade data is also available for industries, classified by the North American Industry Classification System (NAICS). The NAICS assigns production units to industries based on the production processes that they use. Both systems are hierarchical, which means that aggregation can be performed by reducing the number of digits in the commodity or industry code. Trade statistics organized by industries are inherently less accurate than commodity data because many enterprises are engaged in more than one industry. On the other hand, industry trade statistics provide a better picture of the relationships between industries in jurisdictions that trade with one another. For these reasons, the export profiles for Florida and Canada that are presented in the following sections are organized by industry, but they also present data for the most important HS commodities.

Florida's Exports to Canada

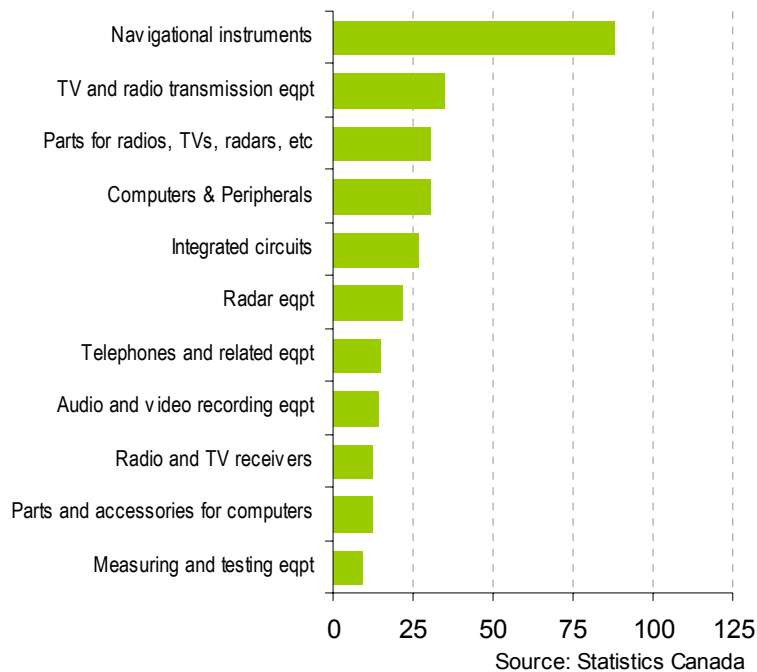
At the 3-digit NAICS level, the top ten industries account for 85.6% of Florida's exports to Canada. Florida's top exporting industry is computers and electronic products, with exports to Canada of \$430 million, more than one-fifth of Florida's total 2003 exports to Canada. Food manufacturing claimed nearly 12%, nearly tied with transportation equipment and crop production, and closely followed by chemicals, each of which exported products worth well over \$200 million. The machinery and primary metal industries recorded exports of \$130 million and \$110 million respectively in 2003. The top ten industries accounted for 85.6% of exports to Canada, with the remainder spread over 23 additional industries. These statistics exclude substantial exports of services, such as those by the tourism industry.

FLORIDA MERCHANDISE EXPORTS TO CANADA BY INDUSTRY			
Top ten industries 2003			
Industry	\$000s	% of Total	Change from 1999
Computer and Electronic Product Manufacturing	430,262	21.0%	14.1%
Food Manufacturing	240,708	11.7%	69.0%
Transportation Equipment Manufacturing	238,532	11.6%	-21.3%
Crop Production	237,737	11.6%	9.6%
Chemical Manufacturing	210,365	10.2%	36.1%
Machinery Manufacturing	130,680	6.4%	-37.8%
Primary Metal Manufacturing	110,479	5.4%	-19.2%
Miscellaneous Manufacturing	81,003	3.9%	3.9%
Electrical Equip. & Component Manufacturing	58,308	2.8%	-17.5%
Fishing, Hunting and Trapping	19,072	0.9%	51.3%
Other Industries	295,798	14.4%	8.6%
Total	2,052,945	100.0%	3.2%

Source: based on primary Statistics Canada data obtained from Strategis Trade Data Online

PRINCIPAL COMPUTER AND ELECTRONIC PRODUCT EXPORTS

Exported from Florida to Canada 2003
US\$ millions



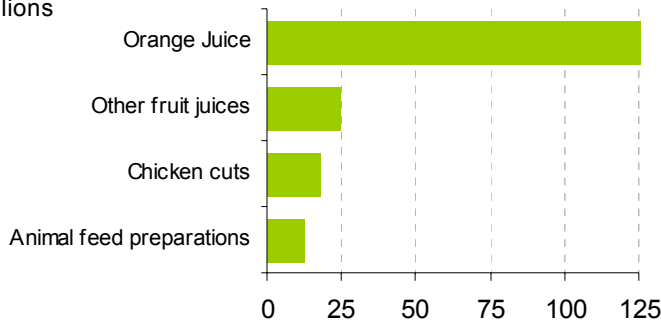
Computers and Electronic Products

Canadian imports of computers and electronic products from Florida are spread over six sub-sectors. Computer and peripheral equipment manufacturers were the most important suppliers in this industry in 2003, with sales of \$167.4 million, about 39% of the total. The other leading sub-sectors were communications equipment (19%) and audio and video equipment (14%). Manufacturers of semiconductors and other electronic components claimed 13% of industry sales. Audio and video equipment was the fastest growing segment, with a fourfold increase in exports during the five year period ending in 2003. Eleven key products that make up nearly 70% of exports to Canada by the computer and electronic products industry are shown in the accompanying graph.

PRINCIPAL PROCESSED FOOD EXPORTS

Exported from Florida to Canada 2003

US\$ millions



Source: Statistics Canada

Processed Foods

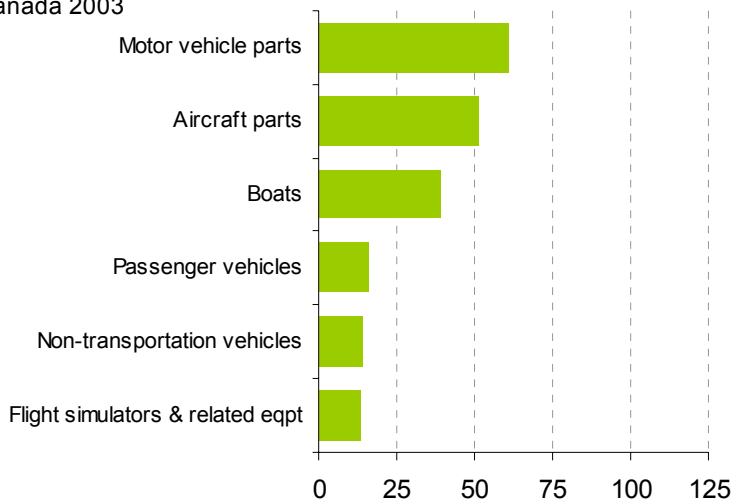
Food processing and packing is the second most important of Florida's industries in terms of their exports to Canada, and the fastest growing. Fruit and vegetable processing is by far the largest segment, with \$154.4 million in 2003 exports, accounting for 64.2% of the processed food industry total. Meat and seafood products accounted for 9.6% and 4.5% respectively. Animal food was another important sub-market, with \$12.8 million in 2003 sales.

Orange juice alone accounted for more than half of exports to Canada by Florida's food processing industry. Shipments totaled \$125.5 million, of which 87% was fresh. Other juices, including grapefruit, pineapple, grape and apple, added another \$25 million in exports.

The meat processing sub-sector exported \$23 million worth of products to Canada in 2003, most of which was poultry. Animal food is the next most important industry segment, followed by sugar and confectionery product manufacturing, bakeries, and dairy products. Three-quarters of the Florida food processing industry's sales to Canada in 2003 consisted of four principal products, shown in the above graph.

PRINCIPAL TRANSPORTATION EQUIPMENT EXPORTS

Exported from Florida to Canada 2003



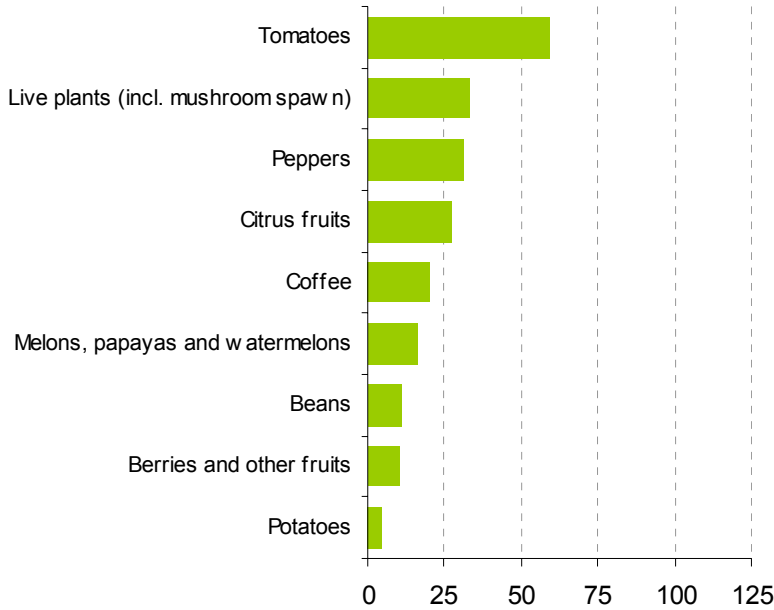
Source: Statistics Canada

Transportation Equipment

Transportation equipment is Florida's third-ranked exporter to Canada with \$239 million in 2003 sales, down from \$303 million in 1999. The aeronautical and motor vehicle manufacturing sectors each exported close to \$100 million worth of products in 2003 and together account for more than 80% of the transportation industry total. Parts for motor vehicles and aircraft were the most important products, followed by vehicles, which included \$16 million worth of passenger vehicles, and \$14 million worth of non-transportation vehicles (mostly fire engines). Ship and boat building (16.3%) and railroad rolling stock manufacturing (1.5%) account for nearly all of the rest. The graph on the left shows seven products that made up 82% of 2003 sales to Canada by the Florida transportation equipment industry.

PRINCIPAL CROP EXPORTS

Exported from Florida to Canada 2003
US\$ millions



Source: Statistics Canada

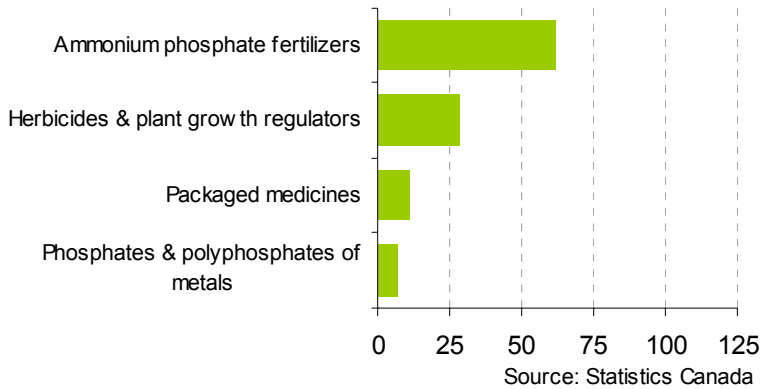
Crop Production

Exports of live, fresh or chilled crop products totaled \$238 million in 2003, only \$3 million behind processed foods. The most important sub-sectors in terms of exports to Canada were vegetable farming, fruit farming and nursery and floriculture production.

Vegetables were by far the largest component of crop exports, with shipments of \$136 million, compared with \$55 million for fruits and nuts, the second-ranked category. Live plants (including mushroom spawn), and coffee were also important segments. The products shown on the graph on the left make up 90% of 2003 sales to Canada by the Crop Production industry.

PRINCIPAL CHEMICAL PRODUCT EXPORTS

Exported from Florida to Canada 2003
US\$ millions



Source: Statistics Canada

Chemical Manufacturing

Chemical manufacturing is another rapidly-growing industry, having expanded its exports to Canada by 51% since 1999 to reach \$210 million. Pesticide and fertilizer production is the largest segment, accounting for 46% of the industry total. Soap and cleaning compounds (13.6%) and basic chemical manufacturing (10.7%) are other important sub-groups. Four products, shown in an accompanying graph, account for more than half of the chemical industry's shipments to Canada are accounted for by four products, shown in the graph on the left.

Other Leading Industries

The five leading industries discussed in the previous sections each generate more than \$200 million in sales to Canada annually and together they account for two-thirds of Florida's exports to Canada. Two other industries, machinery manufacturing and primary metal manufacturing, sell more than \$100 million worth of merchandise to Canada every year.

The most important machinery products are turbo-jets, turbo-propellers and other gas turbines, with 2003 exports to Canada of \$39.4 million and centrifuges, filtering or purifying machinery for liquids or gases with exports of \$14.9 million.

The primary metal industry exports a wide variety of shapes to Canada. Aluminum is the dominant sub-sector, exporting \$106 million worth of products in 2003. The most important shapes were plates, sheet & strip, bars, rods and profiles, which accounted for nearly three-quarters of the total. Steel products, with \$5.9 million exported in 2003, and copper, with \$2.6 million, were the other key products.

Florida's Imports from Canada

More than three-quarters of Florida's imports from Canada come from the top ten industries (at the NAICS 3-digit level), shown in an accompanying table. Machinery manufacturing is the most important, claiming about 12% of the total in 2003. The next seven industries, in order of value of shipments, are very closely grouped, ranging from 7.4% to 8.7% of imports.

Chemical manufacturing is the most rapidly growing segment, with imports rising by 76.9% between 1999 and 2003, followed by machinery manufacturing with a 59.3% increase. Imports of processed foods, furniture, and paper also rose, while wood products and transportation equipment declined.

FLORIDA MERCHANDISE IMPORTS FROM CANADA BY INDUSTRY

Top ten industries 2003

Industry	\$000s	% of total	Change since 1999
Machinery Manufacturing	334,721	11.9%	59.3%
Wood Product Manufacturing	244,325	8.7%	-28.0%
Furniture and Related Manufacturing	242,862	8.6%	18.9%
Chemical Manufacturing	237,410	8.4%	76.9%
Transportation Equipment Manufacturing	236,414	8.4%	-5.6%
Food Manufacturing	226,342	8.0%	38.9%
Paper Manufacturing	216,616	7.7%	15.0%
Computer & Electronic Product Manufacturing	208,683	7.4%	12.5%
Plastics & Rubber Products Manufacturing	118,528	4.2%	48.9%
Fabricated Metal Product Manufacturing	93,060	3.3%	34.4%
Other industries	665,485	23.6%	38.6%
Total	\$2,824,447	100.0%	19.6%

Source: Statistics Canada

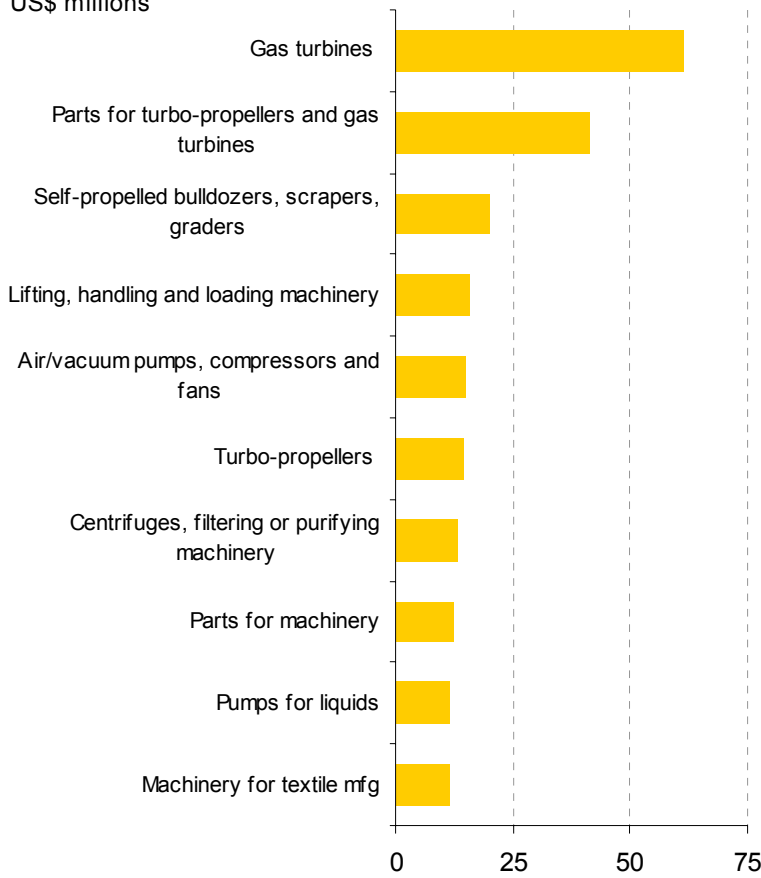
Note: Based on Total Domestic Exports from Canada excluding re-exports

Statistical Note: The data showing Florida imports in this section are Canada's "domestic exports" to the state, and exclude re-exports of foreign-origin goods. Official US import statistics for Florida are based on trade flowing through Florida's two US Customs Districts, which do not handle Canadian goods that arrive by land.

PRINCIPAL MACHINERY PRODUCT IMPORTS

Imported to Florida from Canada 2003

US\$ millions



Source: Statistics Canada

Machinery Manufacturing

Canada's machinery manufacturing industry shipped \$335 million worth of products to Florida in 2003, making it the top-ranked supplier industry. More than half of these imports consisted of gas turbines, turbo-propellers and parts for this equipment. Lifting, handling and loading machinery, and a variety of pumps, compressors and centrifuges are other leading products. Products that comprise nearly two-thirds of machinery imports are shown in the graph on the left.

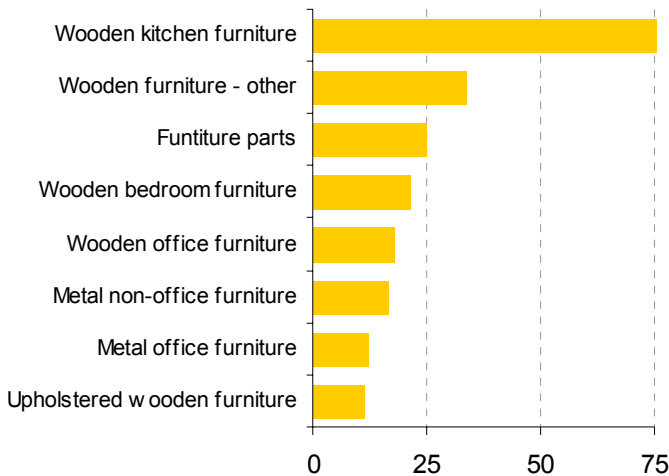
Wood Products

Florida imported \$244 million worth of wood products from Canada in 2003, making it the second-ranked importer. About 70% of these imports came from Canadian sawmills, with about 20% from veneer and plywood manufacturers. Florida's imports of Canadian softwood lumber totaled \$164 million in 2003, more than two-thirds of all wood products. Other important products included particle board (\$26 million), windows, doors, shingles and shakes (\$21 million) and plywood and veneer (\$6 million).

PRINCIPAL FURNITURE PRODUCT IMPORTS

Imported to Florida from Canada

2003



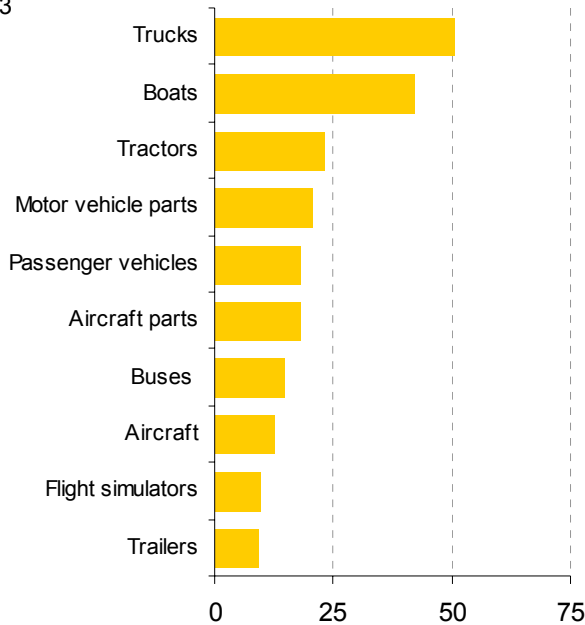
Source: Statistics Canada

Furniture and Related Products

Canada's furniture industry shipped \$243 million worth of products to Florida in 2003, representing 8.6% of total exports. Two-thirds of these imports consisted of household and institutional furniture products, including kitchen cabinets. Nearly all of the rest was office furniture and fixtures. The eight products shown in the accompanying graph represent 88% of Florida's imports from Canada's furniture industry. Although there were significant imports of metal furniture, wood furniture (including wood-frame upholstered furniture) predominates, with total imports of \$160 million, about two-thirds of the total.

PRINCIPAL TRANSPORTATION EQUIPMENT IMPORTS

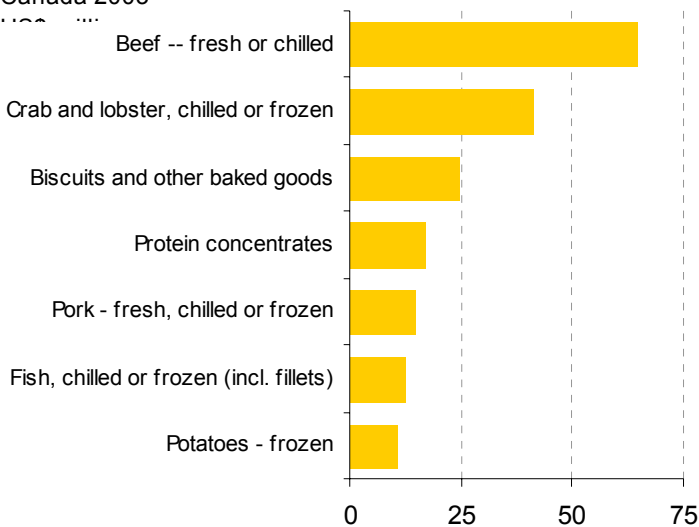
Imported to Florida from Canada 2003



Source: Statistics Canada

PRINCIPAL FOOD PRODUCT IMPORTS

Imported to Florida from Canada 2003



Source: Statistics Canada

Chemical Products

Florida imports a variety of chemical products from Canada, but this category is dominated by pharmaceuticals, which accounted for 63% of \$237 million worth of chemical imports in 2003. Other significant imports included resin and synthetic rubber products (\$24 million), soap and cleaning compounds (\$15 million) and paints, coatings and adhesives (\$11 million). Packaged medicines made up 86% of the pharmaceutical segment, with the balance coming almost entirely from blood and blood products.

Transportation Equipment

Motor vehicle related products make up the majority of Florida's imports from the Canadian transport equipment industry, with 59% of the 2003 total of \$236 million. The other significant industry segments are aerospace products (21%) and boats (18%). The ten products shown on the accompanying graph make up more than 90% of Florida's 2003 imports of transportation equipment from Canada.

Processed Food

Florida imported \$226 million worth of products from Canada's food manufacturing industry in 2003. Meat products were the largest sub-sector, with \$86 million in imports, led by fresh and chilled beef. Fish products contributed \$60 million in imports, including \$41 million worth of crab and lobster, nearly all frozen. Other important products were protein concentrates, baked goods, and preserved fruits and vegetables. The seven products shown in the following graph account for 82% of total imports from the Canadian food manufacturing industry.

Other Industries

The six industries described in the previous sections account for 54% of all of Florida's imports from Canada. Two other industries supply \$200 million or more worth of products to Florida annually.

The Canadian paper manufacturing industry exported \$217 million worth of products to Florida in 2003. Newsprint was the most important import by far, totaling \$139 million, followed by paper and paperboard with \$41 million, of which \$24 million was uncoated \$17 million was coated. The balance was spread over a large number of products, many of which are used for packaging and shipping.

The computer and electronic product industry exported \$209 million worth of products to Florida in 2004. Telephone equipment (including telephones and modems) totaled \$49 million, about 22% of the total. Radio and TV broadcasting equipment totaled \$37 million and computers and peripherals and their parts and accessories added another \$29 million, followed by TV and radar apparatus with \$16 million in imports.

The remainder of Florida's imports from Canada are spread over a large number of other industries. Some individual products stand out, even though their industries did not rank in the top 10 reviewed here. Exports of mineral fuels totaled \$74 million in 2003, including \$65 million in refined products. Canadian distilleries exported \$45 million worth of beverages to Florida during the year.

Provincial Concentration of Direct Trade

Florida's two-way trade with Canada is concentrated in Ontario and Quebec, which are home to 62% of the country's population and an even greater concentration of the Canadian market when purchasing power is taken into account. The two provinces are responsible for 81% of Canada's imports from Florida and 71% of exports to Florida. These data can be misleading, however, because a considerable portion of Florida's exports to Canada are delivered to national distributors located in the two largest provinces and then re-distributed from there. This is especially true for merchandise destined for the Maritime Provinces.

Provinces other than Ontario produce a disproportionate share of natural-resource-based exports, such as mineral fuels, wood and paper products, and seafood, among others. The overall merchandise trade balance amounts to a Canadian surplus of \$772 million, but this is more than offset by Florida's large services trade surplus with Canada.

**PROVINCIAL CONCENTRATION OF DIRECT TRADE
2003**

	Population	% of population	% of imports	% of exports
Ontario	12,156,595	38.6%	60.5%	43.6%
Quebec	7,462,432	23.7%	20.1%	27.6%
British Columbia	4,127,454	13.1%	5.5%	7.8%
Alberta	3,132,484	10.0%	4.3%	7.1%
Manitoba	1,158,360	3.7%	5.3%	4.2%
Saskatchewan	994,905	3.2%	2.4%	0.9%
Nova Scotia	935,180	3.0%	0.2%	2.3%
New Brunswick	750,439	2.4%	1.7%	1.5%
Newfoundland	519,560	1.7%	0.0%	4.5%
Prince Edward Island	137,334	0.4%	0.0%	0.5%
Territories	101,256	0.3%	0.0%	0.0%
Canada Total	31,475,999	100.0%	100.0%	100.0%

Primary data from Statistics Canada

Impact on Florida's Economy

According to a study published in 2002 for the Council of the Americas by the Trade Partnership, Florida's 2001 production of goods for export to Canada directly supported 12,333 jobs.

A more recent study, conducted by the Washington Economics Group, using a proprietary econometric model, found that just over half of Florida's 2003 offshore exports, \$13.6 billion, originated within the Miami-Dade region. The study concluded that this activity (which included both manufacturing and sales) generated 78,606 direct jobs. Assuming that all of Florida's exports to Canada have the same employment-creating effects on a dollar-for-dollar basis as offshore exports, this implies that the Canadian market currently supports about 13,690 jobs. The study found that the average earnings from the jobs generated by the merchandise trade sector were \$41,700 which is 16% higher than the Dade County average.

This excludes secondary trade-related jobs in transportation and finance as well as other sectors. The same study estimated that the roughly \$50 billion in two-way trade handled by the Miami Customs District generated 42,638 jobs in 2003. Only about \$76 million of Florida's 2002 exports to Canada traveled through Florida international ports, but all of this trade generates similar demands for transportation and logistical services and for financing. Assuming that the work of handling Canadian two-way trade with Florida is comparable to all of Florida's trade, Canadian trade is responsible for maintaining secondary 4,445 jobs in transportation and finance.

The study also estimated the impacts on Miami-Dade's Gross Regional Product and on local and state government taxes and fees, resulting from international merchandise trade. Applying the same proportionate tax yields to Canadian trade for all of Florida, it is estimated that trade with Canada added \$1.1 billion to the Gross State Product in 2003, and generated state and local taxes and fees of \$33.3 million.

The true magnitude of the secondary transportation and finance impacts could be higher or lower if the handling of truck cargo is significantly different from sea cargo in terms of labor and other costs, since 86% of Florida's 2002 imports from Canada arrived by truck.

ECONOMIC IMPACTS OF CANADIAN TRADE WITH FLORIDA

	Transportation and finance	Exports of mfg. goods	Total
Employment	4,455	13,690	18,145
Gross State Product	\$242,408,426	\$841,001,241	\$1,083,409,667
Local and state taxes and fees	\$12,190,218	\$21,131,099	\$33,321,317

Intransit Shipments

Florida is the principal gateway for trade with Latin America and the Caribbean. Florida's two US Custom's Districts (Miami and Tampa) handled \$32.2 billion in exports in 2002, of which \$24.0 billion was destined for Latin America and the Caribbean. About 58% of this traffic consists for Florida-origin merchandise that was manufactured or significantly transformed in the state. The balance, more than \$10 billion worth of goods, was shipped from other parts of the US.

According to estimates published by the Beacon Council (Miami-Dade County's Official Economic Development Organization), The Port of Miami handles "the bulk of all US trade with Latin America", including 60% of trade with Central America, 46% of trade with the Caribbean, and 27% of trade with South America.

The close integration of many Canadian and Floridian companies means that considerable Canadian value-added is incorporated into Florida-origin exports. In addition, a significant proportion of Canadian exports to Latin America and the Caribbean are trans-shipped in bond through Florida Ports. Unfortunately, there is no current data available describing this traffic.

The volume of shipments by both countries through the other's transportation facilities is known to be substantial. Until 1996, the Bureau of Transportation Statistics published statistics for "transshipments", which include US imports from third countries arriving via Canada, and US exports destined to third countries and shipped via Canada. In that year, this traffic represented 16% of all US shipments to Canada and 6% of all Canadian shipments to the US. These data, however, exclude "intransit" shipments. These are goods declared by the shipper as moving through the United States to or from Canada and a third country and they are not included in the official U.S. international merchandise trade statistics.

Industry observers believe that a significant amount of Canadian traffic bound for Latin America and the Caribbean travels through the "Miami Gateway" for the same reasons that US exporters favor Miami over numerous other US ports that are closer to their operations. The Port of Miami is also an important transshipment point for European exports to Latin America and the Caribbean. With \$24 billion worth of exports destined for the region annually, Florida has a highly-developed shipping infrastructure, including many freight forwarders and consolidators who specialize in Latin America or the Caribbean. The efficiency that this offers often outweighs the cost of longer truck shipments relative to other ports.

Executives engaged in promoting and handling Canadian exports to Latin America and the Caribbean via the Miami Gateway say that they can comment only on their own operations and cannot estimate the volume of total Canadian intransit shipments. Nonetheless, they say that this market is expanding. One factor that they cite is the focus that the Bush administration has placed on new trade agreements with countries in the Central and South America and in the Caribbean. The resulting increase in trade will expand South Florida's gateway role, leading to enhancement of the marketing and cargo infrastructure that also supports Canadian trade.

The development of an integrated Canadian-US trucking industry under the FTA and the NAFTA is also believed to have increased the popularity of shipping from Canada through Miami and other Florida ports. Many Canadian-based freight consolidators offer shipments to Latin America and the Caribbean, following these routes. This trend is expected to continue, especially as smaller Canadian companies, which need LTL consolidation services, expand their exports to the region. Other contributing factors include new multi-mode transportation technologies and more sophisticated end-to-end logistics services that make management of the transshipment and consolidation processes more effective.

INVESTMENT

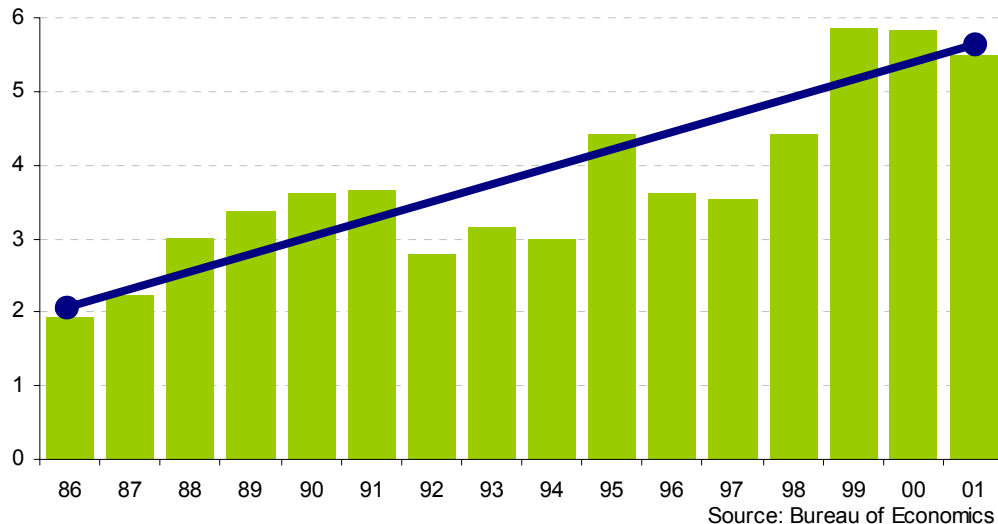
Canada is Florida's most important foreign investor. In 2002, majority-owned non-bank affiliates of Canadian companies based in Florida owned a total of \$4.7 billion in property, plant and equipment, more than 16% of the assets of all foreign majority-owned affiliates. In comparison, Florida affiliates of British and German companies, held 13% and 11% respectively of all majority foreign-owned property, plant and equipment. Florida accounts for 5.5% of all Canadian investment in majority-owned US affiliates, nearly double Florida's share of all majority-owned foreign investment in the US.

Statistics for all foreign affiliates at the state level are available only up to 2001. In that year, the gross property, plant and equipment of all Florida affiliates of Canadian companies totaled \$5.5 billion. Less than 15% of the total is accounted for by minority-owned affiliates.

Foreign investment in Florida businesses fluctuates considerably from year to year, partly because assets shift from state to state or from country to country in the statistics as a result of a complex set of BEA rules about attribution of "ultimate beneficial ownership" as well as the states to which multi-state businesses are allocated. For example, the substantial drop in French investment in Florida between 2000 and 2001 is probably related to the merger of Universal Studios and Seagram to form Vivendi Universal Entertainment in December 2000. (Universal Studios operates theme parks in Florida). In Canada's case, in spite of short-term fluctuations, the long-term trend has been upward since the implementation of the US-Canada free trade agreement in 1989. The average annual increase in the plant, property and equipment of all Canadian affiliates in Florida rose by an average of 6.4% annually between 1998 and 2001, the most recent year for which full data is available.

CANADIAN INVESTMENT IN FLORIDA

Gross Property, Plant and Equipment of all Affiliates
US\$ billions



The driving forces behind this expanding investment are the subject of some debate among experts. While a number of studies have found little relationship between free trade agreements and investment in general, none of these studies have directly focused on the Canada-Florida relationship. Many observers see an indirect relationship whereby expanding trade under the FTA and the NAFTA has led to increased linkages between Canadian and Floridian firms, ultimately creating the conditions for increased investment.

While the increase in Canadian investment in Florida since the advent of the FTA is clear, the underlying causes cannot be statistically demonstrated.

Statistical Note: Foreign investment statistics for the US are published by the Bureau of Economic Analysis (BEA) based on an annual survey of foreign affiliates. Investments are attributed to countries based on "Ultimate Beneficial Ownership", and exclude the banking sector. The BEA defines a "foreign affiliate" as a US company with 10% or more of its voting securities held by foreigners. Most of the statistics presented in this section are for "majority-owned foreign affiliates", with more than 50% of their voting securities owned by foreigners. All of this data excludes foreign investment in Florida non-commercial real estate.

MAJORITY-OWNED AFFILIATES OF FOREIGN COMPANIES IN FLORIDA - 2002

Gross Property, Plant and Equipment by Country of Ultimate Beneficial Ownership

Country	\$ millions	%
Canada	4,670	16.4%
United Kingdom	3,730	13.1%
Germany	3,230	11.4%
Latin America	2,855	10.0%
Japan	2,838	10.0%
Netherlands	2,613	9.2%
Australia	1,777	6.2%
Other Europe	1,715	6.0%
France	1,363	4.8%
Middle East	1,152	4.0%
Other Asia and Pacific	942	3.3%
Switzerland	649	2.3%
Sweden	442	1.6%
Other countries	234	0.8%
Italy	221	0.8%
Africa	15	0.1%
Total all countries	28,446	100.0%

Source: US Bureau of Economic Analysis

Employment

Majority-owned affiliates of Canadian companies in Florida employed 26,400 people in 2002 and employment by all affiliates was 29,100. These statistics include only people directly employed by Canadian affiliates. The total employment impact depends on multiplier effects and cannot be estimated accurately because data for employment by affiliates by industry is not available at the state level. A rough estimate, assuming a multiplier of 1.4, (similar to the tourism industry) implies that majority-owned Canadian affiliates maintain employment for about 37,000 Floridians, and that if all Canadian affiliates are included, about 41,000 people.

Investment Targets

There are no official statistics to demonstrate the industrial allocation of Canadian investment in Florida. At the state level, the BEA publishes data only for manufacturing employment. In 2002, majority-owned Florida affiliates of Canadian companies employed 3,500 manufacturing workers, which was 13.3% of total employment by these firms. This is more than double the proportion of the Florida labor force employed in manufacturing, but sharply different from the manufacturing share of employment by all Canadian majority-owned affiliates in the US, which is 35%.

Assuming that Canadians are attracted to Florida by the same factors as other foreign investors, the pattern of total foreign investment in Florida probably provides a reasonable indication of the industries where Canadian investment is targeted. According to a report published by fDi Magazine in 2002, in addition to tourism, the leading industries that attract foreign investment in Florida include information technology; space, aerospace, aviation and defense; biotechnology; simulation and modeling; photonics; plastics; and digital entertainment. Because Canada is an important client for the Miami Gateway, there is also significant Canadian investment in transportation, warehousing and wholesale trade, as well as in finance and insurance.

High-Tech Linkages

One of the impacts of free trade agreements is the expansion of industrial clusters, where linkages among firms within the same industry increase overall productivity and promote innovation. This has been a key driving force behind increased Canadian investment in Florida's high-tech sector. Florida's "High Tech Corridor", has been a particular attraction. It runs from Tampa Bay on the west coast through metropolitan Orlando to Daytona Beach and the Space Coast in the east. The I-4 Interstate Highway that runs through this region is sometimes referred to as the "silicon belt". More than 6,000 firms in six technology clusters operate in the 21 counties that make up the service area of the University of Central Florida and the University of South Florida, which are leading participants in the Florida High Tech Corridor Council. The President of the Council, Randolph Berridge, was quoted in the media as saying that there are between 55 and 60 Canadian companies operating in the Corridor. Canadian Aerospace Electronics (CAE) of Tampa is a prime example of a Canadian hi-tech player that has found a market and reason to invest in the Corridor. The company's flight simulation technology and training services are the brand of preference among Florida's burgeoning civil and military aviation industries.

Florida's other high-tech area, known as the "Internet Coast", stretching from Miami to Palm Beach is also an attraction for Canadian companies. Its mission is to lead South Florida as a "global science and technology hub". Florida Governor Jeb Bush focused on building high-tech partnerships between companies in Canada and Florida during the July 2004 Team Canada Florida trade mission to Montreal and Ottawa, which included meetings between Canadian high-tech companies and delegates from both the High-Tech Corridor and the Internet Coast.

Commercial Real Estate

Outside of the high-tech sector, there is substantial Canadian investment in Florida's tourism, retail and real-estate leasing segments, mainly in southern and central Florida. The Panhandle region, in the area of Panama City is also an emerging destination for this type of investment, which is real-estate intensive. In 2001, Canadians held an accumulated investment of \$3.6 billion in Florida commercial real estate, more than two-thirds of all investment in Florida property, plant and equipment by Canadian majority-

owned affiliates. Some of this investment comes from Canadian Real Estate Investment Trusts (REITs), which hold portfolios of similar properties in different locations. For example, in late 2003, Summit REIT, which bills itself as “Canada’s Industrial Landlord”, announced its intention to purchase 292,000 square feet of light industrial/flex space property in the Tampa area. In the retail sector, Henry Birks and Sons, a prominent Canadian jewelry chain, acquired a 72% interest in Mayor’s Jewelers, a luxury jeweler based in Sunrise, Florida. An example of a Canadian investor in Florida’s tourism sector is Club Intrawest, an exclusive Canadian membership-based resort operator with members in 37 countries. In May 2002, Intrawest opened the luxurious Sandestin Golf and Beach Resort on 2,400 acres of the Emerald Coast, between Pensacola and Panama City.

Residential Real Estate

The statistics for commercial real estate exclude substantial investments by Canadians in residential real estate, including second homes, condominiums, trailer sites, and time-share properties. There are no official statistics for this type of investment. Estimates of the number of Canadians who own residential real estate in Florida vary widely. Some estimates put the number as high as 500,000, which includes timeshares of 30 days or less. At the other end of the scale, if the members of the Canadian Snowbird Association are representative of all snowbirds, about 62% of 220,000 Canadian snowbirds in Florida, or about 136,000 people, own homes in Florida. Assuming that these homeowners are mostly couples and that the average home value is \$150,000, this implies well over \$10 billion in Canadian investment and much more if timeshares for 30 days or less are included.

Manufacturing

Canadian investors in the manufacturing sector are attracted largely to northern Florida, because of its excellent road access to markets both in Florida and the other states in the US southeast, which is a rapidly growing market. In addition to Florida’s 17 million inhabitants, the other six southeastern states have a combined population of more than 34 million. The southeast leads all other American regions in six major retail segments - food, apparel, automotive, furnishings, pharmaceuticals and leisure.

Exporting

Another major attraction for Canadian investors is southern Florida’s access to Latin America and the Caribbean. Many Canadian companies establish operations in the Miami area to take advantage of multiple air links to Central and South America as well as the Caribbean from Miami International Airport. For example, Nortel Networks, Canada’s leading ICT conglomerate, manages its Latin American and Caribbean operations from its Broward County regional offices. Other Canadian companies operate in Florida’s 18 Free Trade Zones, including two in the Miami area, where they can maintain duty-free warehousing, packaging and assembly operations to serve offshore markets. Miami is a major source of business in its own right, because it is home to hundreds of global or regional headquarters of multinational corporations, and a base of operations for marketing firms that service Latin American markets. For example, most Caribbean tourism markets rely on South Florida for ongoing supplies of packaged food, technology, and building supplies. Canada exports these products competitively, but most individual markets are too small to permit efficient direct shipments from Canada, so Canadian exporters often service the Caribbean through intermediaries in Miami and surrounding counties.

Spin-Off Benefits

Many of these Canadian investments help to further drive tourism and merchandise trade. Some investors in the tourism industry focus on Canadian customers. Others provide support services, such as travel and banking services. Canadian companies that locate in south Florida to improve access to markets in Latin American and Caribbean, also take advantage of their proximity to Florida's 17 million consumers, further expanding trade with Canada.

CONCLUSION

Whether they come to catch a tan, to buy products for export or to invest, Canadians are Florida's best foreign customers. Close diplomatic relations, a strong Canadian currency, cold northern winters, complementary agricultural sectors, technology partnerships and Florida's export gateway position all point to continued strong Canadian presence in Florida's economy. With so many Canadians visiting and now living in Florida, their links with the state go far beyond business. These personal ties of culture and friendship help bond together two very different climates and geographies and ensure the continued prosperity of a unique partnership.

Canada's most visible impacts are in the tourism sector where Canadians account for close to one-third of all person-visits to the state. Since more than half of all Canadian visit-nights are by snowbirds, nearly 60% of whom stay 60 days or longer, Canadian tourists are much more likely than visitors from other countries to put down roots in Florida, forming social relationships and in many cases buying homes. This contributed to the fact that Canadians were much less likely than other visitors to stay at home following the terrorist attacks of September 2001, softening the impact of the resulting tourism industry slump. While Canadian visitor volume has not yet recovered to the levels that prevailed before the attacks, it is expected to fully rebound to more than 2 million visitors by 2006. Even in 2002, when the impact of the attacks was at its highest, Canadian visitors supported 23,000 Floridian jobs, and generated total taxes of \$274 million.

The Canada-Florida merchandise trade relationship is even larger than tourism, even though many Floridians do not perceive the fact that Canada is virtually tied with Brazil as the largest foreign customer for Florida-origin products. The relationship is growing stronger, with Florida's exports to Canada growing by more than 9% between 1999 and 2003 to reach \$2.4 billion, according to US government data, nearly three times the rate of growth of Florida's total exports. The trade relationship has been characterized by increasing inter-industry trade, as companies in Canada and Florida build linkages and form joint ventures. Another important factor is that the trade relationship is highly-diversified which means that the benefits are distributed throughout Florida, impacting virtually every sector from mining and agriculture to high-tech. According to estimates described in this paper, in 2003 Canadian trade with Florida generated more than 18,000 jobs, and contributed \$33 million in local and state taxes.

Canada's large presence in Florida's tourism and merchandise trade markets has led to increasing Canadian investment in the state. Canada is Florida's largest foreign investor, with Canadian majority-owned affiliates holding close to \$5 billion in assets in 2002, more than 16% of all foreign investment in Florida. Canada's investment is even larger if minority-owned affiliates are included. Much of this investment is in commercial real estate, including the tourism industry and commercial and industrial space leasing. But increasingly, it is facilitating high-tech linkages between companies in Florida's high-tech corridor and their counterparts in Canada. Majority-owned affiliates of Canadian companies employed 26,400 people in 2002, and minority-owned affiliates employed an additional 2,700. All of these figures exclude Canadian investments in residential real estate. They can be only roughly estimated at about \$20 billion and much more if timeshares of 30 days or less were included.

The combined impacts of these key elements of the Canada-Florida economic relationship are substantial, amounting to some 70,000 jobs, about one percent of Florida's total non-agricultural workforce. The importance of this relationship and its impacts for Florida's economy are expected to grow over the foreseeable future, as inter-relationships among tourism, trade and investment re-enforce the fundamental forces that have created the existing relationship.

