

partially by governments, as they retool and restructure to counter newly diagnosed threats⁷, and partly by society at large as habits and attitudes adjust to the exigencies of the post-September 11th security environment.⁸ The key question is how much of the cost will be borne by the trading system and at what cost to economic growth? For Canada, which depends on exports for 41 per cent of its GDP (compared to 10.4 per cent for the United States), 81.8 per cent of that represented by exports to, or through, the United States⁹, sells more to the United States than it consumes at home, and shares the largest bilateral trading relationship in the world with the U.S. (CDN\$1.55 billion a day in two-way merchandise trade), the stakes are high!

What kind of changes should we expect with the encroachment of security-related regulatory influences into the sphere of trade and what is the significance of those changes? Is this a new era? Are the rules of our rules-based global economic system changing? In short, is “*secure trade*” replacing *free trade*?

Heeding Robert Baldwin’s advice in *The Political Economy of Trade Policy* that “trade policies motivated by broad foreign policy considerations” often need more than an economic self-interest model to explain them, this key question is explored from five perspectives: an official view, an historical view, an economic view, an ‘on the ground’ view, and a norma-

⁷ For example, the American “homeland” strategy includes building the capacity of first responders (firemen, policemen, etc.), employing information management technology and expanding intelligence gathering, and administrative reorganization (e.g., the establishment of the Office of Homeland Security and Operation LIBERTY SHIELD)

⁸ The impact on life in North America after September 11th has been discussed in many essays. See for example Matthew Brzezinski, “Fortress America,” *New York Times Magazine* (February 23rd, 2003) and Stephen Flynn, “America the Vulnerable,” *Foreign Affairs* (January/February 2002).

⁹ Department of Foreign Affairs and International Trade, *Third Annual Report on Canada’s State of Trade: Trade Update 2002* (DFAIT: Ottawa, 2002), 7.