

of one percent of the U.S. gross domestic product or approximately \$51 billion annually.”⁶¹ The Organization of Economic Development and Co-operation, for its part, found that security measures might augment the *ad valorem* cost of trading internationally as much as 1 to 3 percentage points. The OECD adds, “given that the elasticity of trade flows with respect to transaction costs may be in the -2 to -3 per cent range, this could lead to a significant drop in international trade, negatively affecting openness, productivity and medium-term output growth. Thus, the right balance between efficiency and security at the border needs to be found, preferably in agreement with trading partners and on a non-discriminatory basis”.⁶²

Effects of a Permanent Secure Trade Regime

The likelihood and effects of “the right balance” is what we are most interested in. As we can see from the literature on security costs, there is a lot to overcome in solving security-related challenges and alleviating concerns in the trading community. Of course, if the Smart Border initiative is seen to be effective, these fears will be lessened—and order (a new order, replacing the uncertain one) will prevail, ultimately reducing time in transit for goods and services. What the above studies do not consider, however, is how a state of permanency will influence trade. The studies assume that economic drawbacks associated with flux will always be present and forget or discount the possibility that the war on terrorism, unlike other wars that end after weeks, months or years, could possibly last indefinitely. In the words of U.S. Vice President Dick Cheney, “heightened security and constant vigilance are the new normalcy.”⁶³ Presumably, there will be time to adjust.

⁶¹ Economic Strategy Institute, quoted in Garrett Wasny, *September 11 and International Trade: How 9/11 Changes Global Business* (2002), 5.

⁶² Leanin et al., “Economic Consequences,” OECD, 5.

⁶³ V.P. Dick Cheney, in Bob Woodward, “Cheney Says War Against Terror May Never End,” *Washington Post* (October 21st, 2001), A1.