

range of \$60,000 per hour and U.S. \$7,500 to U.S. \$2,000 per hour at the major first tier component plants (on an individual basis).”⁵⁸

Effects of Security as a Security Tax

Confidence in the ability to move goods and services across national borders affordably and quickly has also declined due to the *responses* that have been taken to prevent terrorist disruption, according to a number of authors. Expenses like inventory, insurance, administrative, transport and distribution (conceived as a “security tax”) are increasing, and influencing, global supply chain performance. A body of literature stimulated by research conducted, separately, by John Helliwell and John McCallum has a lot to tell us on this matter and shows us that the “border effect,” even without security considerations, is surprisingly high.⁵⁹

Even before September 11th, the average non-tariff border cost is said to represent approximately 5 per cent of the final invoice price of a given product. For trade-sensitive industries, the cost is thought to be as high as 10-13 per cent.⁶⁰

The Economic Strategy Institute estimates that the cost in the U.S. of the “new level of security could amount to one-half

⁵⁸ *Ibid.*, 18.

⁵⁹ The “border effect” is the empirical regularity that transactions are far more likely to take place between two regions within the same country as opposed to the situation where an international border must be crossed, controlling for population size, incomes etc. This can reflect unobserved trade costs. See John F. Helliwell, *National Borders, Trade and Migration*, Working Paper 6027 (Cambridge, MA: National Bureau of Economic Research, 1997); John McCallum, “National Borders Matter: Canada-US Regional Trade Patterns,” *American Economic Review* 85 (June 1995): 615-23; John M. Curtis and Shenjie Chen, “Trade Costs and Changes in Canada’s Trade Pattern,” Forthcoming, 2003, and James E. Anderson and Eric van Wincoop, *Borders, Trade and Welfare*, Working Paper 8515 (Cambridge, MA: National Bureau of Economic Research, 2001).

⁶⁰ Andrew Shea, “Border Choices: Balancing the Need for Security and Trade,” Special Report, Conference Board of Canada (October 2001), 2.