



KEY POINTS:

“PROTECTION WITHOUT PROTECTIONISM: The Challenges of Trade and Homeland Security” by Aaron Lukas, Trade Policy Analysis no. 27, April 8, 2004 (<http://www.free-trade.org/pubs/pas/tpa-027es.html>)

Global trade will be exploited to launch an attack on the United States. The free movement of goods across America’s borders is a key pillar of the nation’s prosperity. Unfortunately, our dynamic trading system is also a conduit that terrorists may exploit. According to the Organization for Economic Cooperation and Development, the typical shipping container’s door-to-door journey involves handoffs at 12-15 physical locations, requires the interaction of about 25 different parties, generates 30-40 documents, and uses 2-3 different transportation modes.

The consequences of an attack could be catastrophic. Even a relatively modest attack delivered through the cargo system could be massively costly to the United States. In a strategic simulation in which “dirty bombs” – devices that use conventional explosives to disperse radioactive material – were discovered in cargo containers at three U.S. ports, the estimated cost to the economy from the resulting disruption of trade was \$58 billion. Another study estimated that a relatively low-yield nuclear bomb detonated in a major seaport would kill between 500,000 and 1 million people, directly destroy up to \$500 billion worth of property, cause losses due to trade disruption of \$100 to \$200 billion, and impose further indirect costs of up to \$1.2 trillion.

Trade is the lifeblood of the U.S. economy and cannot be curtailed without greatly restricting U.S. standards of living. The right of Americans to do business with anyone they choose should only be restricted in extraordinary circumstances. The U.S. could conceivably seal its borders and cease trading with other nations. Halting all trade, now and forever, would eliminate the threat of a bomb in a container. But exchanging the possibility of a terror attack for the certainty of a poorer nation – and thereby advancing an end that America’s enemies seek – is not a wise course of action.

‘Security’ should never become an excuse for protectionism It is important that in defending ourselves we minimize the impact of new security measures on trade and guard against the threat of covert protectionism. The temptation exists for domestic interests to press for measures that unfairly hinder their foreign competitors without appreciably improving U.S. security. Such protectionism masquerading as homeland defense is more than a theoretical possibility. Many unsound proposals are currently pending in Congress. Scarce resources are also already being wasted on efforts to ‘protect’ Americans from low-priced goods rather than terrorists.

Not all security measures should be the responsibility of the federal government. Where possible, shippers, exporters, and manufacturers should pay for additional security. Passing costs on to consumers rather than taxpayers should be encouraged. Just as ‘national defense’ does not entitle every homeowner to a federally funded burglar alarm, it does not relieve private businesses from the responsibility of providing much of their own security. Policymakers should consider positive incentives, such as cash bounties, to encourage private actors to be vigilant against terrorism.

The future of trade security will rely heavily on technology. New technologies offer the promise of greatly enhanced security, but care should be taken to keep incentives for ongoing innovation in place. In order to preserve a dynamic, competitive marketplace for new security technology the federal government should set standards while avoiding overly-detailed mandates.