

INFORMATION BULLETIN

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Steven Globerman, Kaiser Professor of International Business, Western Washington University
Paul Storer, Professor of Economics, Western Washington University

This study updates the authors' (2008) statistical examination of changes in the behavior of Canada-U.S. trade following the tightening of security at the Canada-U.S. border in the wake of the terrorist attacks of September 11, 2001. In addition to an updated sample, this study uses constant-dollar "real" exports and imports rather than current-dollar values. The use of constant-dollar exports and imports identifies changes in quantities of goods crossing the border and controls for changes in the prices of those goods.

The regional analysis in this study focuses on three sets of ports rather than the ten ports in the original. The three sets of ports are the Great Lakes Gateway (Detroit, Buffalo-Niagara Falls, and Port Huron), the Cascade Gateway (represented by the Blaine Peace Arch Crossing), and a grouping of all other ports that corresponds fairly closely to the Rural Gateway category from the "Toward a New Frontier" Brookings study by Sands (2009). By using these groupings of ports, our statistical results are more directly applicable to the framework of the Sands paper.

For total U.S. exports to Canada, there are significant declines in trade volumes in at least the second half of 2001 and in 2002. There are smaller effects in 2003. For total U.S. imports from Canada, significant negative effects are found in the 4th quarter of 2001 and in 2002, 2003, 2004, and again in 2008. In general, there is greater evidence of disruption of trade flowing from Canada to the United States than from the United States to Canada. As imports from Canada promote higher real income levels in the United States through several different channels of influence, the adverse impact of border security developments on U.S. imports from Canada is of concern to Americans,

as well as Canadians.

The intensity, direction, and duration of border security-related trade impacts varied across ports. Trade disruption effects seemed to be of shorter duration in the Great Lakes Gateway than in the Blaine/Cascadian Gateway. This difference could be due to the greater utilization of programs such as FAST in the Great Lakes Gateway. Shares of individual ports in total Canada-U.S. trade reveal changes in trends that roughly coincide with the post-9/11 security regime.

The results of our study indicate that increases in border costs may have had significant impacts on trade. An inference of this observation is that the long-run real living standards of both Canadians and Americans have been adversely affected by post-9/11 border security developments.

This creates a public policy imperative to reduce costs of bilateral trade without making undue sacrifices in the safety of Canadians and Americans from terrorist attacks. Further, differences in impacts on trade observed between specific ports and gateways argue for policies that reflect regional differences, including differences in the composition of trade.