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Dan Ikenson at the Adam Smith Institute

Written by Scott Paul
Saturday, 30 May 2009 06:01



Dan Ikenson of the Cato Institute was the featured guest speaker at 23 Great Smith Street this Thursday. The lunchtime seminar was co-hosted by the Adam Smith Institute and the International Policy Network. Mr. Ikenson drew from his study of global supply chains as he spoke about the blurring of national boundaries in the new global economy.

International shipping and communication costs are at an all-time low, and trade, finance, and political barriers are decreasingly restrictive. Under these circumstances, production facilities are no longer confined by walls—factories, not just corporations, have gone multinational.

President Obama's call to "buy American" highlights the lack of clearly defined borders in international trade. What is an American product? Is it one sold by an American-owned company? Is it one produced in America? Is a product still American if some of its components are made in China?

The automobile and steel industries are replete with American companies that produce their goods abroad and non-American companies that have manufacturing facilities in the US. Final goods now represent value-added for several countries, not just the nation in which the producer is headquartered. As governments accept this new economic reality, they have begun to relax trade barriers, but trade policies still lag behind the changing marketplace.

Policymakers insist on measuring success in terms of the performance of one nation's producers relative to those of another. As a result, protectionism still abounds. Rather than working to improve access for their producers abroad or limit access for foreign producers at home, governments should strive to increase the number and size of high value-added industries within their respective nations. They can do this by improving infrastructure while scaling back regulatory and administrative barriers.

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