

Long Beach

BUSINESS JOURNAL

January 18- January 31, 2011

Competitors and Collaborators



■ Trade and Transportation

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On March 3, the Center for International Trade and Transportation at California State University, Long Beach (CSULB) and the METRANS Transportation Center at CSULB and the University of Southern California will host a conference titled “Collaborators and Competitors: Understanding the Connections Between Canadian, American and Mexican West Coast Ports and Gateway Regions.” The conference will explore the common trends that influence the economic competitiveness and environmental sustainability of Canadian, U.S. and Mexican Pacific Port Gateway Regions as well as the unique pressures that drive policy making at the national, state/provincial and local levels.

While we often focus on our trade relations with Asia (and with good reason), it is easy to forget that Canada and Mexico remain our largest trading partners. Surface trade between the three countries has increased a robust 19% over 2009 figures. In September, that trade was valued \$68.3 billion. NAFTA has made close neighbors even closer. Reduced trade barriers allow the U.S., Canada and Mexico better access to each other’s markets,

providing a competitive advantage relative to places like China. In the case of Canada in particular, our economies are tied. Seventy percent of Canada-US trade is intra-industry and 40 percent is intra-corporate. Fully one-third of Canada’s exports to the U.S. are made up of goods that have been previously imported from this country.

The March conference will provide a unique opportunity to explore those relationships, and the pressures to both cooperate and compete with our neighbors. The focus is on the west coast of North America and gateway regions like the San Pedro Bay, Vancouver and Ensenada. There is increasing awareness that gateway regions which compete for business may benefit from collaboration on issues that include inland port infrastructure provision, the development of land-based trade corridors, environmental innovation and planning for the growth of mega-regions (sometimes across borders). And while trade gateways in all three countries face some common threats, including competition from Gulf Coast and east coast ports, the discussion will likely start with some of the thornier issues that have marked the trading relationships of late.

For many in the trade sector in the U.S., there are real concerns about the ability of Canada to attract business away from our ports. Those concerns start with the Asia-Pacific Gateway and Corridor Initiative, an integrated set of Canadian investment and policy measures focused on trade with the Asia-Pacific Region. Its mission is to establish Canada’s Asia-Pacific Gateway and Corridor as the preeminent transportation network facilitating global supply chains between North America and

Asia. The strategy has a prominent role for Vancouver and Prince Rupert in British Columbia, as well as road and rail connections that reach across Western Canada and into the economic heartlands of North America.

Vancouver is Canada's largest port, handling more cargo by tonnage and approximately half of all the containers handled at Canadian ports. Port Metro Vancouver is now the third largest container port on the West Coast of North America after Los Angeles and Long Beach.

Further north, Prince Rupert poses another threat. The natural deep-water port has a geographical advantage. Ocean carriers that use Prince Rupert can shave up to four days in transit time to the North American heartland from parts of Asia. And since Canadian National Railroad began service in late 2007 between the port and Chicago, Prince Rupert has offered an alternative to shippers wanting to reach the U.S. Midwest. Some 80-85 percent of inbound containers passing through Prince Rupert are destined for American markets. And as a recent study from the Fraser Institute in Canada indicates, the trading relationship between Canada and China is in many ways underdeveloped. With increased ties, including trade and investment, Canadian ports could attract even more business from Asia.

Mexico has also been seen as a potential threat. For years, Southern California trade experts have kept a close eye on the potential development of ports in Punta Colonet and Lazaro Cardenas, locations that could conceivably compete with L.A./Long Beach for business destined for the Midwest. Politics and infrastructure issues have kept those threats more of a concept than a reality for the most part.

But for the local trucking community, there is a more immediate concern with regard to Mexico. Earlier this month, the U.S Department of Transportation released a concept document for a new cross-border trucking agreement with Mexico that would replace an earlier Bush Administration pilot project. That pilot project would have allowed Mexican trucks expanded access to U.S. highways. It died in the wake of opposition from Congress and was never pursued by the Obama Administration. Labor unions and consumer safety advocates in particular have objected to the new

agreement, citing concerns about competition and job loss as well as environmental and safety standards.

But the cross-border trucking issue reveals something else altogether about the cooperative and competitive pressures at play in and around west coast trade gateways. While the trucking agreement has generated opposition from those who see the potential loss of American jobs if it moves forward, there are those who fear the same result if it doesn't. The National Association of Manufacturers, among others, is feeling the sting of the failure of the previous pilot program and the retaliatory tariffs Mexico imposed on U.S. goods as a result. In addition, in the absence of a trucking agreement, goods are unloaded and reloaded at the U.S.-Mexican border, resulting in delays for an industry that often works on a Just-In-Time basis.

If the trucking agreement can be worked out, then it might provide a pathway for moving forward on other issues where competitive and cooperative pressures co-exist. There are people watching with interest in all three nations.