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■ Trade and Transportation

By *Thomas O'Brien*

Recently, I was asked to speak to a group of logistics students from Korea. The topic was “The Role of Government in Moving Goods in the U.S.” It’s a topic that I cover in my classes at California State University, Long Beach; but the relationships between the federal, state and local governments are complex, and even for American students can prove confusing. Preparing a lesson plan for a group not as familiar with our political, social and economic structures proved to be a challenging but valuable experience.

I didn’t have to worry about motivation. Regardless of background, students of the supply chain and logistics are interested in who makes the decisions about how cargo moves and who might impact the free flow of goods in both a positive and negative way. This includes policy makers and regulatory agencies. And given the global nature of trade, it’s not surprising that students from Korea would want to know how governmental action here might impact the free (or freer) flow of goods to and from Asia.

So what was of interest to them? I expected a lot of discussion about the U.S. perspective on the proposed free trade agreement between our two

countries, but that appeared to be less interesting than some other aspects of our trade environment. I showed the students a chart that attempted to explain who owns and operates the networks, the terminals and the equipment that comprise the transportation systems so critical to the supply chain. It included our roads and highways, railways, inland waterways, ports and pipelines. They did not appear to be surprised by the presence of the private sector (that’s our reputation) but by the level of involvement, particularly in the case of rail. There were also questions about the importance of river trade and trade along the Great Lakes; and interest in the role that unions play throughout the supply chain.

My biggest challenge came in trying to explain the relationships between the federal, state and local or regional governments and their effect on the trade sector. I had to draw upon my own government classes from grade school and high school to talk about the separation of powers and how questions of constitutionality still frame important debates, like the one surrounding the ability of a port to regulate certain aspects of trucking. We talked about the funding cycle for federal highway legislation and the roles played by state and metropolitan-wide agencies in identifying the projects that actually get implemented. We explored the unique nature of trade security for a country with a 5,200-mile border with Canada and a 1,900-mile border with Mexico, with 95,000 miles of coastline, 300 seaports, more than 300 land-based ports, and more than 400 commercial airports.

Finally we talked about the importance of Southern California to the nation's trade sector, not only as the home of the largest port complex in the U.S., but as the originator of policy and operational innovations and as the test bed for both legislative and port-directed efforts that seem to find their way to other parts of the country and other parts of the world. The evolution of green ports is a case in point.

Despite the differences, there was a lot of common ground. The structure of government and regulatory oversight may change from place to place but the nature of gateway trade problems that drive regulatory action are similar. These include environmental concerns, the need to eliminate bottlenecks and develop infrastructure, and the identification of factors that make one country or region trade-competitive relative to another. Having to explain how you do what you do and why you do it that way is a good exercise. It forces you to question your own assumptions and reminds you of the rich historical trade context in this country.

It also confirms for me there is a benefit in asking our own students to look more closely at the structure of trade and regulatory environments in other places. They are usually surprised by a number of things including the level of privatization in the port sector in a place like the UK, or the role played by national governments as investment partners in Europe, Asia and even Canada. It usually gives them an appreciation of our strengths as a trading nation but reminds them that succeeding in this business means you can't be complacent. That means understanding what drives your supply chain partners as well as your competitors wherever they may be.