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Still Ours to Lose

■ Trade and Transportation

By Thomas O'Brien

Last October, California State University, Long Beach (CSULB) and the METRANS Transportation Center hosted a Point/Counterpoint event called Panama Canal Expansion: The Battle for Jobs and Cargo, Who Wins? Who Loses? Who Decides?

Conventional wisdom says that an expanded canal that can accommodate larger ships will draw cargo traffic away from the West Coast, benefitting East Coast and Gulf Coast ports. One of the goals of the Point/Counterpoint was to challenge that conventional wisdom. And in fact, the discussion suggested that who wins and who loses depends upon a complex set of interactions involving any number of actors along the supply chain. These include ocean carriers, railroad companies, shippers and their agents.

It was also apparent that the list of questions doesn't stop with who wins, who loses and who decides. We also have to explore where the goods end up, where they are produced and why. Concerns about the cost of doing business in China are already beginning to bring about shifts in production strategies for many companies with global supply chains. More often these days, companies are willing to engage in a China +1 strategy that reduces costs through diversification within Asia, making China the hub of a logistics network that may also include places like Vietnam or Thailand. Fuel costs and time factors make "nearshoring" in Latin America a viable alternative to Asia altogether.

More complex supply chains on the manufacturing side make for more complex supply chains period. But they also give shippers more options when choosing how to get goods to market, wherever those markets may be. If China +1 is the hallmark of today's Asian supply chain, then on the domestic front it's the four corners strategy. Shippers are increasingly willing to use whatever port makes most sense for a particular product destined for a particular market at a particular time. Sometimes it's LA/Long Beach, and other times it's Seattle, New York or Charleston. As a result, the battle is fought in terms of who has the cheapest routing (time and money), who has the best reliability, and where the infrastructure is available.

That means that, apart from shippers and their agents, ocean carriers, and rail and intermodal companies, important decisions about routing are also made by distribution center and warehouse operators as well as federal, state and local governments. And given the competitive nature of ocean carriage and port operations, very small changes in time and cost factors could have an impact on supply chains in both the short term and long term. Decisions made about any number of issues including where and when to invest in dredging, when to impose environmental regulations, whether or not to provide Mexican trucks access to the US, or who pays for the chassis could help tip the scales in favor of one trade lane versus another. And other factors could reverse things just as quickly.

Recently, we've seen a number of new factors thrown into the mix that weren't even on the radar screen when the October Point/Counter point was held. Earlier this year, Cuba modified its foreign private investment laws, paving the way for the development of a terminal complex at Mariel to be financed in part by the Brazilian government and operated by Singapore-based PSA International. Supporters envision a transshipment hub serving both North and South America (a Cuba + 1 strategy?), assuming of course that geo-politics and a U.S. trade embargo don't get in the way. Not to be outdone, in February China proposed a 137-mile dry canal linking the east and west coasts of Colombia as an alternative to the Panama Canal.

Less dramatic announcements can also change the equation. In January, Jacksonville decided to delay construction of a new Hanjin terminal, which could benefit other southeast ports looking to take advantage of increased traffic moving through an expanded Canal. And negotiations between South Carolina and Georgia, which at one point were considering a joint project to improve channel access to ports in both states, have broken down. As a result, they are now competing not only with each other but with ports across the country for federal infrastructure dollars.

This only means that the debate over who wins, who loses and who decides is ongoing. To revisit the issues that were raised at the Point/Counterpoint forum, the Center for International Trade and Transportation at CSULB is hosting a three-part lunch time webinar series called Cargo and Jobs: Still Ours to Lose? The first of these, held in late May, looked at how shippers choose ports, focusing on what decision-makers value. A June 3 session will ask if Southern California is competitive based on recent industry efforts to promote the advantages of the region as a trade gateway. The last of the webinars to be held on June 17 will look at the challenges ahead. Given the nature of the industry, those will be changing regularly too. *For more information on the webinar series, go to www.ccpe.csulb.edu/citt.*