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# Labor A Selling Point For Regional Competitiveness

■ Trade and Transportation

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December 20th - Last week the Occupy movement set its sights on the West Coast ports. Protesters attempted to disrupt operations at ports from California to Canada, targeting what they described as the economic apparatus of the 1 percent. In Southern California, that meant terminal operators like SSA Marine, chosen in part because its majority shareholder is Goldman Sachs. Some opposition was also directed at the Southern California International Gateway (SCIG), a proposed intermodal facility to be operated by the BNSF Railway Company.

Much of the language of the Occupy Movement falls into the "globalization is bad" category, and arguments that global operators have not responded to local concerns about job security and the environment have resonated with members of the Occupy Movement as well as some in the communities through which trade passes.

But the debate masks the complexity of the connections between large multinational corporations and the many local businesses and residents – part of the 99 percent – that make their living from international trade. This point was demonstrated by the response of longshore workers and their leaders to calls for a port shutdown. While expressing sympathy with the goals of the Occupy protesters, ILWU leaders nevertheless made it clear that the union rejected third party calls for job actions that were not sanctioned by the union itself. Given the somewhat decentralized nature of the movement, this is not surprising. The union response however also suggests an awareness of the risks of disruptions not only to dockworkers but to the local goods movement industry as a whole.

In recent years, management and labor have found common ground where the economic well being of the region is concerned. While dockworkers support the efforts of their brethren in the union's office clerical unit as they negotiate a contract with terminal operators, and monitor the planned introduction of labor-saving automated stacking cranes at a terminal at the Port of New York and New Jersey, they know that Southern California is competing with regions across the globe for business generated by trade. They also know that labor plays a critical role in making a region competitive. It's an issue that other regions are also confronting and one that highlights the truly interconnectedness of global trade.

Consider the case of Morocco. In 2007, a new transshipment port opened for business on the Moroccan Mediterranean coast. Aiming to attract transshipment traffic away from the more costly ports of southern Europe that are often plagued by strikes, the Tangier-Med port was created as a different kind of complex, geographically proximate to more established stops, but less congested. This would be an attractive option for the major shipping lines operating between China and West Africa or the Americas via the Mediterranean.

In order to compete with northern Mediterranean ports that also offered access to European markets, Tangier-Med needed labor stability. That meant both labor and management recognizing that the long-term viability of the port depended upon efficient operations and minimal labor disruptions. This is in sharp contrast to the operations at Morocco's major port at Casablanca, where organized strikes by the independent Union of Moroccan Workers are common.

While the terminal operators and port authority at Tangier-Med have promoted a new kind of port with first-class efficiency, good infrastructure and a reliable and well-trained labor force, labor issues are unavoidable. Opposition to organizing efforts led to a full strike at the port's Eurogate-operated terminal in October of this year. This was followed by a management lockout. Labor demands reflected many of the same issues found in ports around the world including "respect for trade union action," "direct and permanent contracts rather than the exploitation of workers on temporary contracts by subcontractors within the workforce," and "regulating the timing of the work at the terminal to avoid fatigue."

Although the parties came to an agreement on November 16th, the port essentially had a “Closed for Business” sign up for over a month. As a result, ships were diverted to ports in places like Spain. Plenty of uncertainty and distrust persists, and the long-term tenability of transshipment via Tangier-Med has been put into question. Management argued that the port could not survive the kind of inefficiencies and labor uncertainty marked by Casablanca. The latter is the nation’s import/export gateway and has no real competitors. Tangier-Med’s transshipment business on the other hand is vulnerable and can be drawn away by other ports with the right mix of infrastructure, labor and cost structure attractive to ocean carriers moving goods between Asia, Europe, North America and the developing markets of Africa.

That sounds a lot like the debates over the potential diversion of non-local (aka discretionary) cargo from the Ports of Los Angeles and Long Beach. Here, our understanding of the potential threat from other ports is framed by our experience with the 2002 West Coast lockout and the peak season congestion which occurred in 2004. Both made Southern California the poster child for unpredictability and resulted in the diversion of cargo, at least in the short term, to competing ports. The fact that we haven’t seen that level of conflict since then is attributable in part to a desire by both parties to avoid a repeat scenario, particularly in a global recession.

It will be interesting to observe what lessons terminal operators and labor take away from the recent struggle in Morocco. Labor shares common concerns with fellow workers across the globe. The same is true of terminal operators; but some attention will need to be paid to the common interests that unite all local stakeholders if regional competitiveness is to be maintained.

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