

**International Trade:
Perfecting the Blessing
Avoiding the Curse**

Thank you for the kind introduction, and good afternoon. Many of you here today have been strong supporters of the Alameda Corridor project and played critical roles and deserve credit for making it a reality. I especially want to point out the contributions of the Port of Long Beach which has received this group's International Achievement Award in recognition of its efforts to promote understanding of international trade. The Long Beach Board of Harbor Commissioners, Executive Director Dick Steinke and the rest of the team at the Port of Long Beach deserve our thanks for their efforts. And I want to add my personal appreciation for the Port's leadership and vision for committing to the Alameda Corridor program when it was no more than a concept in a planning document.

I'm here today for two reasons: One) Because the Alameda Corridor plays a vital role in the region's economic future by facilitating international trade through the more efficient movement of cargo. And, secondly, because the originally scheduled keynote speaker, Diane Creel of Earth Tech, has left the region to head a company in Rochester, New York. It's not easy replacing a person as accomplished as Diane, but I'll do my best. Diane, thanks a million. First time I have ever questioned Diane's judgment. I predict she will be back. They all come back from Rochester.

I'm honored to be here today for the World Trade Week luncheon, because in my view, international trade is a critical linchpin in the economic future of Southern California. With the state in a budget crisis and communities demanding relief from truck traffic congestion linked in large part to commerce, capitalizing on the economic benefits of international trade while minimizing its impacts is a real public policy conundrum. I am committed to doing whatever I can to shine a light on international trade and bring attention to these important issues.

A year ago at this time, I delivered remarks to a World Trade Week audience shortly after the Alameda Corridor opened, reporting on our grand opening ceremonies and our first few weeks of operations. I won't recount the history of the Alameda Corridor, because at this point our story is well known. Suffice it to say that the Alameda Corridor is working as intended, providing a quicker way to move cargo between the ports and downtown Los Angeles rail yards while minimizing the impact of world trade on local communities by eliminating at-grade rail

crossings, reducing traffic congestion and improving air quality. And, the Alameda Corridor can do more, which I will talk about a little later.

That brings me to a few central themes I would like to emphasize. First, for our region to reap fully the undeniable economic benefits of international trade, we need to stop thinking of goods movement as a series of separate projects and instead develop an integrated approach to improving our trade-related transportation infrastructure. The Alameda Corridor is but one piece of the puzzle, as is the Desmond Bridge replacement project and other capacity enhancements to our freeways. Second, to advance this cause, international trade needs champions – visible and diligent spokespersons who not only advocate an integrated approach but educate the public and policymakers about the economic importance of international trade. Moreover, the projects that make up the transportation system need to be marketed as a mitigation of the negative consequences of international trade – traffic congestion, air pollution and the like. Otherwise, international trade will suffocate in its own success. In other words, we need to perfect the blessing of international trade while avoiding its curse. Finally, and more broadly, we need to remember that geopolitical developments — such as the debate over military action in Iraq — have a direct impact on international trade, and that international trade can be an effective instrument of peace.

Economic Benefits

There is no denying the economic benefits of international trade. According to studies prepared by the Los Angeles County Economic Development Corporation, the labor lockout and work stoppages last year at West Coast ports cost businesses across the country approximately \$1 billion per day in lost sales and reduced efficiency. Closer to home, about one of every 15 jobs in the five-county Southern California region is directly linked to international trade, according to LAEDC, and that figure doesn't even include those employed with companies who manufacture products for export. The Ports of Long Beach and Los Angeles together are the third busiest port complex in the world, handling approximately \$200 billion cargo per year, or one-third of the nation's waterborne trade. The volume of cargo is projected to approximately triple by 2020, and LAEDC and others see continued growth in international trade.

However, in a report due to be released Monday, LAEDC will warn that one of the major challenges to our ability to capitalize on this growth is our constrained transportation infrastructure. LAEDC has been delivering this warning message for several years now – if we can't improve the transportation infrastructure to accommodate this growth, we run the risk of shipping lines taking their business to other ports and the region missing out on significant portions of the economic benefits of global commerce. And we also run the risk that the social and ecological costs of world trade – traffic congestion, air pollution and other impacts – will become intolerable to our population.

Integrated Approach

That's where the integrated approach to transportation infrastructure comes in. All the pieces are interrelated, and none is effective in a vacuum. If the rail network is improved, as it has been through the Alameda Corridor, but the freeway network is not, the system's efficiency breaks down, and the ports become less attractive to shippers.

When goods movement is seen as a system or a network rather than a series of individual projects, it becomes pretty apparent which parts are not functioning, which pieces are operating under capacity and which are operating beyond capacity. And right now, it's quite clear from our big-rig clogged freeways that trucking is over utilized and that rail is underutilized.

Among the system elements that need to be addressed are freeway capacity; a BNSF intermodal container transfer facility near the ports to match UP's existing facility; a rail shuttle system that would allow containers to be transported to Inland Empire warehouses and distribution facilities via rail rather than on freeway-clogged trucks; and 24-hour port and warehouse operations to spread trade-related traffic throughout the day, thereby limiting congestion. A number of these projects are on the drawing board, in various stages of development. But rarely are these projects thought of as interrelated units of a trade-related transportation network. That's a shortcoming we must address.

If we have a balanced approach to improving our transportation network, products can be delivered more efficiently and more cheaply, allowing the region to fully capitalize on the economic benefits of international trade without the negative social, environmental and political fallout.

International Trade Needs A Champion

Through its partnerships among public agencies and between these agencies and the private sector, the Alameda Corridor Transportation Authority, has advanced the cause of regional cooperation, public private partnerships and this integrated, systems approach. But we can't do it alone. For the general public and decision-makers to see the value of this balanced approach, they need to see the direct economic benefits of international trade. And to make evident the economic benefits of international trade, the industry needs strong spokespersons and a unified voice in the corridors of decision-making power in Sacramento and Washington DC.

I can't say it much better than LAEDC. Consider these direct quotes from the agency's 2002 report on international trade, which was optimistic about the industry's future but nevertheless pointed out storm clouds on the horizon.

“(Quote) There is no overarching strategic vision for international trade in the region, and not much of a unified voice on issues confronting the industry locally.”

“(Quote) There are many hurdles to obtaining maximum results. It's long past time for a new engagement by the area's international trade community with the community as a whole.”

And this from LAEDC's annual economic forecast for the region, released last February:

“(Quote) The business of international trade still has a murky profile in the region, which is not good given the challenges ahead.”

It's clear that international trade has for too long been a silent industry, content to rest on the laurels of cargo growth without advocating a unified vision for the future. That approach will no longer suffice, because international trade is threatened by its very success as measured by that growth. The volume of goods is beginning to overwhelm our transportation infrastructure, leading to increasingly vocal – and quite legitimate – public concerns about traffic congestion and air pollution. Trade-related transportation infrastructure must mitigate the impacts of commerce by eliminating at-grade railroad crossings, reducing traffic congestion and limiting air pollution, and infrastructure projects must be marketed to the public as mitigation,

much like the Alameda Corridor was marketed as a mitigation project. Otherwise the public will have a difficult time seeing the direct benefits of a new rail line or a freeway capacity enhancement or a new grade separation.

Let me add here a note about environmental justice. Many key transportation arteries cut through relatively disadvantaged areas, and many residents say – increasingly – that they are feeling a disproportionate share of the negative impacts of trade, most notably emissions from trucks. It's a legitimate concern receiving increasing attention by regulatory agencies such as the South Coast Air Quality Management District, and in the news media, including a recent piece in California Journal. To be sure, the international trade industry provides jobs and other economic benefits to many of these residents. But we need to do a better job of marketing not only the economic benefits of international trade but also the mitigation provided by infrastructure projects. Often forgotten about the Alameda Corridor is our value to the environment – for example, during construction we disposed of approximately 450,000 tons of soil contaminated by previous operations, and environmental reports projected that the project would reduce emissions from trains 28 percent and automobiles and trucks by 54 percent. One locomotive on the Corridor replaces 250 trucks on the freeway.

I would like to see elected officials at all levels – local, and state and federal elected leaders – move more stridently to solve our infrastructure challenges. That will require raising the profile of international trade as an industry, which heretofore has adopted a stealth approach, an economic powerhouse that provides direct economic benefits to our region, state and nation. One positive step in this direction was a Goods Movement Caucus formed earlier this month in Congress by Congresswoman Juanita Millender-McDonald of Carson and Congressman Lincoln Diaz-Balart of Florida. Formation of this Goods Movement Caucus carries great potential for increasing the visibility of international trade as an industry, and we should embrace it and participate to the fullest extent possible. Congresswoman Millender-McDonald and Congressman Diaz-Balart deserve our thanks for their leadership.

All of you can help, too, by thinking and talking of our trade-related transportation infrastructure as an integrated whole, and speaking out whenever you can about the economic benefits of international trade.

Peace Through Trade

Finally, I want to talk for a moment about the theme of this year's World Trade Week — peace through trade. A survey conducted by international public relations firm Fleishman Hillard and research and consulting firm Wirthlin Worldwide during the military conflict in Iraq found that Americans are less likely to make major purchases and more skeptical about purchasing products made in countries that did not support the war. For example, 46 percent of Americans surveyed said they are likely to attempt to find an alternative to a product made in France or by a French company. The survey found similar reactions to products made in Germany — another leading critic of U.S. military action in Iraq. This underscores the risks faced by international companies because of positions taken by political leaders — of war adversely affecting international trade.

Conversely, international trade can affect peace. The more we trade with international partners, the greater our understanding of different cultures and other points of view. And greater understanding leads ultimately to greater peace.

There is no question that trade is an implement of diplomatic policy, a reflection of U.S. goals and objectives. Among the clearest examples are the debate that surrounded China's entrance into the World Trade Organization, and the debate that follows U.S. designation of various countries as most favored nation status with trading partners.

I'm not so naïve or idealistic to think that increasing international trade will eliminate war, nor am I commenting on U.S. policy toward Iraq. I'm simply pointing out the relationship between trade and commerce and peace and war.

One area where trade could play an increasing role in geopolitics is the situation in North Korea. North Korea's bellicosity is destabilizing the region and threatening the ability of the U.S. to trade with other Far Eastern nations. As the region's leading power, China could play a key role in the future of trade in the region. With trade comes responsibility, and I'd like to see China play a greater role in urging North Korea to knock it off and tone down the rhetoric. It would benefit both China and the United States.

We're China's number one trading partner, and it's important for the Chinese to remember an old American proverb, the customer is always right. We also cannot lose sight of the fact that our enemies in World War II have since become some of our most staunch friends

and trading partners. Consequently, we must take the long view – this spat is more or less transitory, and we should not do things that will permanently damage our relationships.

Conclusion

To sum up, I want to emphasize that international trade has a bright future in the region due largely to the needs of our huge and growing Southern California and national consumer markets and the work of our ports to meet that need. But we face many challenges brought by our own successes. We're seeing signs that the volume of cargo is overwhelming the ability of the trade-related transportation infrastructure to accommodate it. The Alameda Corridor has helped us become more efficient, but it's only the beginning of what's necessary. We need to think of our transportation infrastructure as an integrated whole, not a series of individual projects. And to improve the transportation network, we need to raise the visibility of international trade as an industry so that the general public and decision makers see the vital need for infrastructure improvements and other programs needed to fully capitalize on the economic benefits of international trade.

It's an extraordinarily complex set of issues, this intersection of global commerce, transportation infrastructure, and economic vitality, traffic congestion, air quality, environmental justice and a range of other factors. But as advocates of international trade and as an industry, we owe it to ourselves to face this challenge head on. More importantly, as responsible citizens we owe it to future generations to fashion solutions that will guarantee not only economic well-being but also a better quality of life for all residents.

As we proved through the Alameda Corridor project, public agencies and private interests can put aside parochialism and competition and work cooperatively to solve complex problems and benefit a greater good.

Thank you.

XXXXXXXXXX